CONSOLIDATED INTERIM FINANCIAL REPORT

AS AT 30 JUNE

2022

This is the English translation of the original Italian document "Relazione Finanziaria Semestrale Consolidata al 30 giugno 2022".
In any case of discrepancy between the English and the Italian versions, the original Italian document is to be given priority of interpretation for legal purposes.

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CORPORATE BODIES

As at 29 July 2022

Board of Directors

Term of office: approval of the financial statements as at 31 December 2024

Chairperson	Michaela Castelli (*) (**) (***)
Chief Executive Officer	Paolo Bertoluzzo (*)
Directors	Elena Antognazza (****)
	Ernesto Albanese (**)
	Luca Bassi (*)
	Maurizio Cereda (***)
	Elisa Corghi (***) (****)
	Stefan Goetz (*)
	Marina Natale (****)
	Bo Einar Lohmann Nilsson (*)
	Jeffrey David Paduch (*)
	Francesco Pettenati (*)
	Marinella Soldi (**)

(*) Strategic Committee members
(**) Members of the Risk, Control and Sustainability Committee
(***) Members of the Remuneration and Appointment Committee
(****) Members of the Related Party Transactions Committee

Board of Statutory Auditors

Chairperson	Giacomo Bugna
Statutory auditors	Eugenio Pinto
	Mariella Tagliabue
Alternate auditors	Serena Gatteschi
	Sonia Peron

Office of the General Manager

General Manager	Paolo Bertoluzzo

Financial Reporting Manager

Enrico Marchini

Independent Auditors

PricewaterhouseCoopers S.p.A.


BIANCHI MARIA

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CONSOLIDATED INTERIM MANAGEMENT REPORT

CONSOLIDATED INTERIM MANAGEMENT REPORT

Introduction

The Consolidated Interim Financial Report for Nexi Group as at 30 June 2022 (hereinafter "Interim Report"), drafted pursuant to art. 154-ter of Italian Legislative Decree 58/98, report a net income of approximately Euro 89 million.

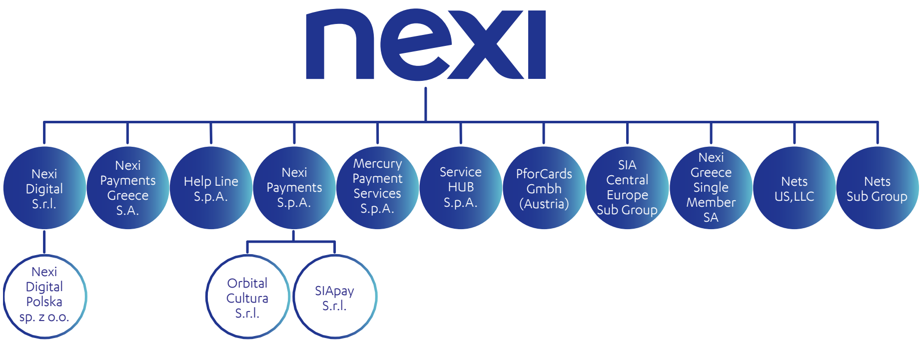
The Interim Report as at 30 June 2022 was drafted pursuant to IAS/IFRS international accounting standards issued by the International Accounting Standards Board (IASB) and the pertinent interpretation documents of the International Financial Reporting Interpretations Committee (IFRIC), ratified by the European Commission, as provided for by Regulation (EC) No. 1606 of 19 July 2002.
In particular, the Interim Report has been drafted pursuant to the provisions set forth under paragraph 10 of IAS 34 concerning statements in condensed form. In continuity with what was done during the drafting of the 2021 annual financial statements, also for the purposes of the 2022 interim report, reference was also made to the ESMA documents of 20 May 2020 and 28 October 2020 and to the Consob documents of 16 July 2020 and 16 February 2021 relating to the impacts deriving from the Covid-19 pandemic on the preparation of financial reporting. Moreover, with regard to the invasion of Ukraine that began last 24 February by troops of the Russian Federation, reference was made to Consob announcement of 18 March 2022 for the preparation of the 2022 interim report, which draws the attention of supervised issuers to the impact of the war in Ukraine on inside information and financial reporting, and to Consob warning notice 3/22 of 19 May 2022, which incorporates the content of ESMA's Public Statement of 13 May 2022 concerning the effects of Russia's invasion of Ukraine on the 2022 interim financial reporting prepared in accordance with IAS 34.

The Interim Report includes the interim management report, the condensed consolidated interim financial statements and, pursuant to art. 154 bis, paragraph 5 of Italian Legislative Decree 58/98 of the TUF (Italian Consolidated Law on Finance), the joint certification of the CEO and the Financial Reporting Officer.
As provided for by article 154 of the TUF, the interim report is subject to limited audit by the independent auditors PricewaterhouseCoopers SpA and is published on Nexi's website, at **www.nexigroup.com.**

Nexi Group

The Group's Parent Company is Nexi SpA, a company listed on Borsa Italiana's Euronext Milan as of 16 April 2019.

The Nexi Group remains the main operator in Italy and one of the main operators in Europe in the paytech sector, and as at 30 June 2022 is comprised of the parent company Nexi SpA and the subsidiaries listed under section 6 of the Notes. Compared to 31 December 2021, note that the Group's scope changed due to the acquisitions of Orderbird, Paytec and Nexi Payments Greece, as detailed in the section "Significant Events during the Reporting Period".
Below is a list of companies directly controlled by Nexi SpA. With regard to the "Nets Sub-Group" and the "SIA Central Europe Sub-Group", please refer to the aforementioned section of the Notes to the Interim Financial Statements.



Based on representations provided pursuant to art. 120 of Italian Legislative Decree 58/98 and on further information available, as at 30 June 2022, Nexi SpA's major shareholders are:

- Evergood H&F Lux S.à.r.l: 19.92%
- Cassa Depositi e Prestiti Spa: 13.57%
- Mercury UK HoldCo Ltd: 9.42%
- Eagle (AIBC) & Cy SCA: 6.08%
- Intesa Sanpaolo: 5.12%
- AB Europe Investment S.à.r.l: 4.02%
- Poste Italiane SpA: 3.55%
- Gic Group PTe ltd: 1.82%
- Float: 36.50%

Macroeconomic Landscape

Hot on the heels of the pandemic crisis of the last two years, the war in Ukraine is having a number of repercussions on global economic systems, the quality and intensity of which are still difficult to measure, not least in view of the duration of the shocks that the conflict has triggered, even indirectly.
The foreseeable continuation of the war means that the sanctions against Russia will remain in place, and therefore it will suffer a severe recession, especially due to the reduction of trade with Western countries. However, the announced measures to reduce gas and oil purchases are more difficult and slower to implement, but precisely because of the uncertainty surrounding them they are already having a strong impact on international prices, generating further shock waves on the industrial and consumer price system.
Both the ECB and the Fed have announced a rapid and significant change of course from the expansionary policies that have characterised them to varying degrees over the past 15 years. This is in order to cope with inflation rates not experienced since the early 1980s. The first reactions of the financial markets are proving to be particularly worrying.

The European Economy

Net of the monetary shocks induced by the rebound in commodity prices and the consequent measures taken by the central banks, the economic effects of the conflict on the real economy will spread across the European continent due to two fundamental factors: the degree of dependence of the various countries on Russian-sourced energy sources and the weight of trade with the countries involved.
For the Nordics group, the impacts are expected to be among the lowest precisely because of a significantly reduced dependence on Russian fossil fuels and, except for Finland, reduced trade with Russia and Ukraine. This is particularly true for Sweden, whose imports/exports with Ukraine amount to less than 1% of the total, while there is a slightly higher percentage of trade with Russia. However, impacts on Nordic trade could arise from indirect effects from the value chain that includes other countries.
In other countries the impacts will be more pronounced, with depressive effects especially on the economies most closely linked to the Russian goods market, such as Italy and Germany, or the financial market (such as Austria and the Netherlands). This is due to lower household consumption due to rising prices, and on the other hand to investments held back by commercial policies, coupled with rising energy costs and the higher cost of money.

Within the Eurozone, Germany has a strong exposure to the Russian and Ukrainian economies, which is exerting further downward pressure, especially in terms of imported inflation, after an end of 2021 still burdened by the resurgence of the pandemic. According to leading forecasts, the German production cycle, slowed by the lack of relevant components from Ukraine, will not return to pre-Covid levels until the end of 2022, while still maintaining a growth rate well below the Eurozone average.
The economic effects of the war could be significant for the economies of the countries geographically closest to the conflict area. Poland in particular presented a rather promising economic picture before the war, particularly on the labour side. However, rapidly rising inflation and strong interdependence with the economies concerned could cool the gross domestic product.

The Italian Economy

In Italy, the Ukrainian crisis aggravated a post-pandemic recovery phase that had already been affected by inflationary pressures from the commodities market, especially energy. The impact on energy expenditures on the one hand, and on food expenditures on the other, dampened confidence indicators, exacerbating the uncertainty of households and businesses with the outbreak of the Ukrainian war.
Indeed, the country's economic outlook will be weighed down by its dependence on Russian energy sources and the chronic weakness of the financial sector due to the stock of sovereign debt, the management of which periodically runs into difficulties when interest rates rise.
The generalised increase in consumer prices will erode savings choices and dampen the growth of financial wealth, which is further jeopardised by market uncertainties.
The particularly positive dynamic of business investment in 2021 will be scaled back by the aforementioned increases in commodity and capital goods prices, despite a decisive contribution from initiatives linked to the National Recovery and Resilience Plan (NRRP), though contained by a lower appetite for investment on the part of businesses and an inevitable lessening of the government's focus on the measures needed to implement the Plan.

Reference Markets

Digital Payments and Digital Banking Solutions

The Italian socio-economic scenario of recent years has certainly benefited the digital payments market. On the one hand, government measures such as cashback, the receipt lottery, the deductibility of medical expenses paid with electronic systems, and the recent introduction of compulsory POS equipment for merchants are contributing to the digitisation of a sector that now seems ready to align with the habits of the most advanced countries in Europe. The reaction to pandemic fears contributed to this, with an increased use of online shopping and non-cash payment instruments, which was considered more risky from a hygiene point of view.

The effects of this are reflected in recent data from the Bank of Italy, which attest to a growth in digital expenditure volumes of +21.1% in 2021, leading to an average expansion between 2015 and 2021 that is almost double the estimates for European economies that are more accustomed to digital payments: +10.3% v +5.3% in the UK, +3.5% in the Nordics, +4.4% in France (Global Data). The penetration of household consumption thus rises to 32%, accelerating the process of convergence towards the top performers.
This is happening with an increasing prevalence of low-value payments, so much so that the average ticket fell below the Euro 50 threshold for the first time, a decrease of 9%.
Growth in e-commerce and the citizenship income have driven prepaid cards in particular, which show volumes more than a quarter higher than in 2020 (+26.6%), while portfolio choices on the part of banks have tended to favour debit products (+24%) over credit products, which still grew by an important +12.3%.

According to Assofin, cards with repayments in instalments recovered in 2021 after the sharp slowdown experienced during 2020, with growth of 12.1% in value and 16.6% in number of transactions.

Regarding infrastructure, the latest available official figures (Bank of Italy Annual Report) show that in 2021 the use of POS devices of the Italian financial system increased by 12%, while the use of ATMs dropped by 6%.

The data of the European Central Bank updated as at 2020 and relating to POS trends in the countries of direct reference of the Group attest to a heterogeneous situation, with a prevalent consolidation. Specifically, there are countries that are growing at double digits, such as Poland (+13.2%) and Romania (+10.9%); others to a significant extent, such as Austria (+7.6%), Germany (+4.7%) and Greece (+5.9%); and others that are characterised by an extremely advanced use of digital payments, such as Norway (+1.2%) and Denmark (+0.1%), which remain substantially stable. Official data from Sweden show a decrease of 10.5%, which is explained by the growing popularity of innovative payment instruments that do not require the support of a POS reader.
In the same markets, again according to official ECB data, the ATM network decreased or remained stable. Specifically, they decreased in Poland (-4.0%), in Romania (-2.9%), in Austria (-2.3%), remain unchanged in Finland and Greece, and essentially stable in Germany (+0.3%).

In Italy, the latest official data (Bank of Italy Annual Report) on digital banking solutions in 2021 confirm the widespread use of home and corporate banking services. Specifically, 2,569,046 enterprises were corporate banking customers in 2021 (up +12.2% compared with 2020), while around 52 million families (+4.6%) and 4.5 million businesses (+8.7%) resorted to home banking information and instruction services. The overall payment flows regulated by the TARGET2 system shrank by 8.5%.

Significant Events during the Reporting Period

Establishment of a Long-Term Strategic Partnership with Alpha Bank

The transaction with Alpha Bank was closed on 30 June. The NewCo will operate as a provider of payment services within the Greek market.
The transaction was realised through the spin-off by Alpha Bank of its merchant acquiring arm to a new entity licensed to operate as a payment institution and expected to bring over 196,000 POSs to the Nexi Group. In the new company, called Nexi Payments Greece, Nexi acquired a 51% shareholding for a cash outlay of approximately Euro 157 million that will be subject to adjustment depending on the final determination of the book values of the aforementioned book acquiring. The agreement with Alpha Bank also provides for an earn-out of up to Euro 30.6 million (corresponding to a maximum total amount of Euro 60 million for 100% of EV), contingent upon the achievement of predetermined financial targets within the first four years of the NewCo's operations.
Moreover, thanks to a long-term marketing and distribution agreement between the parties, Alpha Bank remains committed to the payment industry and will be the exclusive distributor of products and services through its extensive network of branches throughout Greece.
The operation was fully financed by Nexi from available resources.
The business combination was accounted for in accordance with IFRS 3. For further information, please refer to section 37 of the Notes.
The costs incurred in the first half-year directly attributable to this transaction amounted to Euro 6 million.

Acquisition of the Merchant Acquiring Business from BPER - Banco di Sardegna

On 1 June 2022, Nexi signed an agreement for the establishment of a long-term strategic partnership with BPER Banca and Banco di Sardegna, to be realised through the transfer of the business units running the merchant acquiring and POS management activities of BPER and Banco di Sardegna to Nexi Payments S.p.A. At the same time, Nexi will acquire from Banco di Sardegna the 100% stake currently held in Numera Sistemi e Informatica S.p.A., subject to the carve-out from Numera itself of the operations not related to POS management and assistance.
The consideration for the transaction is Euro 318 million, which may increase in the event of the payment of a possible deferred component up to Euro 66 million, conditional upon the achievement of certain economic and qualitative targets. In 2021, the business generated a total transacted volume of about Euro 13 billion through a network of more than 110 thousand merchants and about 150 thousand POSs.
The closing is expected in the fourth quarter 2022.
The costs incurred in the first half-year directly attributable to this transaction amounted to Euro 1 million.

Acquisition of Merchant Acquiring Activities from Intesa Sanpaolo - Croatia

On 2 June Nexi, through Nets CEE, a company under Croatian law belonging to the Nexi Group and controlled by Concardis Holding GmbH, reached an agreement with Privredna banka Zagreb d.d. ("PBZ Bank") and PBZ Card d.o.o. ("PBZ Card") – a company under Croatian law indirectly controlled by Intesa Sanpaolo through PBZ Bank – for the acquisition of PBZ Card's merchant acquiring business in the Croatian market.
The merchant acquiring arm of PBZ Card is the leader in the Croatian market with approximately 13 thousand merchants, which generated a total transaction volume of approximately Euro 5 billion in the 12 months from March 2021 to March 2022. The consideration paid was Euro 180 million, with an implied 2022 EV/EBITDA multiple of approximately 10.5x.
The agreement also provides for a long-term business partnership between Nets CEE, PBZ Card and PBZ Bank in the marketing and distribution of Nexi products in the Croatian market. The transaction is substantially in line with the broader multi-year industrial partnership between the Nexi Group and the ISP Group in the Italian merchant acquiring business, launched with the acquisition of the merchant acquiring business unit owned by ISP on 30 June 2020.
With this transaction, Nexi strengthens its relationship with ISP, a long-standing partner, and consolidates its position as Europe's leading PayTech in merchant services through an increase in the operational scale of merchant acquiring activities.
The closing of the transaction, expected by the end of 2022, is subject to conditions precedent typical for this type of transaction and for the market in question, including Nets CEE obtaining a licence to operate as a payment institution in Croatia and approvals from the Croatian and Serbian antitrust authorities.
The costs incurred in the first half-year directly attributable to this transaction amounted to Euro 1 million.

Acquisition of Control of Orderbird

On 12 May 2022, Nexi, through Nets, acquired all of the shares of the German company Orderbird, a provider of integrated software solutions in the hospitality sector, in which it already held a 43% stake, with a cash outlay of around Euro 100 million, including the shares previously purchased.

Orderbird offers vertical-focused SaaS solutions and complementary services for independent foodservice operators and SMEs in Germany, Austria, Switzerland and France. Its end-to-end integrated commerce solutions help hospitality merchants run their business more efficiently, simplifying their dockets and mobile ordering processes, and at the same time including reservation and menu management, data insights, taxes and integrated payment capabilities, all on a cloud-native infrastructure.
The costs incurred in the first half-year directly attributable to this transaction amounted to about Euro 1 million.
The business combination was accounted for in accordance with IFRS 3. For further information, please refer to section 37 of the Notes.

Acquisition of Paytec Payment Provider GmbH

Nexi, through Concardis GmbH, a subsidiary of Nets, acquired the terminal portfolio of Paytec Payment Provider GmbH, a company providing digital payment services. The scope of the business consists of about 7.5 thousand terminals, including customer contracts, for a total value recognised by Nexi of Euro 17.4 million.
The closing of the transaction took place on 31 March.
The business combination was accounted for in accordance with IFRS 3. For further information, please refer to section 37 of the Notes.

Sale of the Non SEPA Clearing Business

As requested by the Italian Competition Authority ("AGCM") on 14 October 2021, following the approval of the Nexi-SIA transaction, conditioned on certain "measures" to address the concerns raised during the investigation regarding the possible anti-competitive effects arising from the transaction, Nexi commenced discussions with the TAS Group for the sale of the non SEPA clearing business.
The closing of the transaction took place on 30 June.

Sale of EDIGard AS

On 15 June, Nexi, through Nets, sold EDIGard AS, the billing management solutions company based in Norway, to AnaCap Financial Partners. This transaction is in line with the ongoing strategic review of the Nexi Group's portfolio and follows the completion of the mergers with Nets and SIA.
The divested business comprises the EdiEX branded platform, part of Nexi's Digital Banking & Corporate Solutions business unit.
The closing of the transaction took place on 5 July.
In the interim report as at 30 June 2022, in accordance with IFRS 5, the assets and liabilities relating to EDIGard AS were classified under "Non-current assets held for sale and discontinued operations" and "Liabilities associated with non-current assets held for sale and discontinued operations", respectively. Note that a portion of the goodwill arising from the acquisition of the Nets Group was allocated to this business unit, for an amount determined in accordance with the fair value of the entity, which was determined based on the transaction price.

Sale of the Capital Markets Business

On 14 June, Nexi and Euronext Group respectively signed the sale and purchase of the technology component that currently manages the operations of MTS, Euronext's main fixed-income trading platform, and Euronext Securities Milan, formerly Monte Titoli.
The purchase price will be paid in cash and amounts to approximately Euro 57 million, subject to customary adjustments at closing.
Nexi has been a key partner of MTS and Euronext Securities Milan for over 30 years, managing its technology. The divestment of the Capital Markets business was the result of a strategic review of Nexi's portfolio following the completion of the mergers with Nets and SIA, which was finalised in order to achieve a greater focus on its core markets. Upon completion of the transaction, Nexi will continue to provide technology services to Euronext under transition agreements and other services under related commercial agreements.
Completion of the transaction, which will be executed through Euronext's subsidiaries MTS and Euronext Securities Milan, is expected in the second half of 2022 and is subject to the necessary authorisations from the relevant authorities and the completion of the trade union consultation process.
In the interim report as at 30 June 2022, in accordance with IFRS 5, the assets and liabilities relating to the "Capital Markets" business unit were reclassified under "Non-current assets held for sale and discontinued operations" and "Liabilities associated with non-current assets held for sale and discontinued operations", respectively. Note that a portion of the goodwill arising from the acquisition of the SIA Group was allocated to this business unit, for an amount determined in accordance with the fair value of the BU itself, which was determined based on the transaction price. Furthermore, since this is a discontinued business, the economic result of the business unit, net of tax, has been classified under "Income (loss) after tax from discontinued operations".

Changes in Group Debt

The Group's financial structure changed during the first half of 2022 mainly as a result of the 3 January 2022 repayment of the bank loans arising from the merger with SIA for a nominal amount of Euro 873 million, financed with resources already available as a result of the funding transactions carried out by Nexi SpA during 2021.

Moreover, on 29 June 2022 Nexi SpA signed a variable rate bank loan contract governed by Italian law (the "BPER Loan Contract") pursuant to which BPER Banca SpA granted Nexi SpA a credit line for a total amount of Euro 50 million (the "BPER Credit Line"), fully available and not yet used on 30 June 2022, which in any case must be repaid with a single payment on 30 April 2026. Note that this loan was used on 14 July 2022.

Consequently, the Group's gross financial debt at 30 June 2022 is Euro -6,576 million, and mainly consists of the following financing received by the Group, specifically Nexi SpA, in the previous years:

- a bank loan contract signed by Nexi SpA disbursed on 23 December 2021, pursuant to which Banco BPM SpA granted a variable rate credit line for a total amount of Euro 200 million (the "BBPM Credit Line"). The BBPM Credit Line has been fully used and must be repaid in two instalments, for an amount equal to 30% of the total on 15 December 2024 and for the remaining 70% on 15 December 2025;
- a bond loan with a nominal amount of Euro 1,050 million, with a semi-annual coupon at a fixed rate of 1.625% p.a., issued at par by Nexi SpA on 29 April 2021 and expiring on 30 April 2026 (the "2026 Bonds");

- a bond loan with a nominal amount of Euro 1,050 million, with a semi-annual coupon at a fixed rate of 2.125% p.a., issued at par by Nexi SpA on 29 April 2021 and expiring on 30 April 2029 (the "2029 Bonds");
- a "senior unsecured equity-linked" bond loan of a nominal amount of Euro 1,000 million, convertible into ordinary shares of Nexi SpA, and issued at par on 24 February 2021, that does not pay interest and with maturity on 24 February 2028 (the "2028 Convertible Loan");
- a loan agreement signed by Nexi SpA and disbursed on 30 June 2020, pursuant to which certain lending institutions have granted a so-called variable rate term credit line, for a total amount of Euro 466.5 million (the "Term Loan"). The Term Loan is fully used and will have to be reimbursed in a single instalment upon expiry on 30 June 2025;
- a "senior unsecured equity-linked" bond loan of a nominal amount of Euro 500 million, convertible into ordinary shares of Nexi SpA, issued at par on 24 April 2020, with a semi-annual coupon at a fixed rate of 1.75% p.a. and maturity on 24 April 2027 (the "2027 Convertible Loan");
- a bond loan with a nominal amount of Euro 825 million, with a semi-annual coupon at a fixed rate of 1.75% p.a., issued at par by Nexi SpA on 21 October 2019 and expiring on 31 October 2024 (the "2024 Bond Loan");
- a variable rate loan agreement (the "IPO Loan") stipulated on 20 March 2019 by Nexi SpA (as subsequently amended), under which certain financial institutions have granted (i) a so-called term credit line for an amount currently equal to Euro 1,000 million (the "IPO Term Line"), fully disbursed and having a maturity in a single settlement on 31 May 2026; and (ii) a revolving credit line of Euro 350 million with the same maturity as the IPO Term Line, usable for multiple purposes and in multiple solutions, durations, currencies (the "IPO Revolving Line"), which was never used, and therefore today remains fully available. As a result of the changes in June 2021, the option was extended to other entities of the Nexi Group, in addition to Nexi Payments SpA which remains a borrower, incorporated in Italy or Denmark, to become parties to the IPO Loan agreement under certain conditions;
- a bond loan issued on 6 April 2017 by Nassa Topco AS, expiring on the first business day following 6 April 2024, with a notional currently equal to Euro 219.584 million (the "Nassa Topco Bond Loan" and, jointly with the 2026 Bonds, the 2029 Bonds, the 2024 Bond Loan, the "Bond Loans"), having a semi-annual coupon at a fixed rate of 2.875% p.a..

At the time of publication of this report the financial debt described above is not backed by collateral. At the time of publication, all covenants provided for by the loans (described under note 38 of the Notes) are complied with.

In summary, as at 30 June 2022, the breakdown of the gross debt is as follows:

(Amounts in million euros)

	June 30, 2022	Dec. 31, 2021
2024 Bond Loan	823	822
2027 Convertible Bond	457	453
Term Loan	463	463
IPO Loan	994	993
2028 Convertible Bond	879	869
2026 Bonds	1,044	1,043
2029 Bonds	1,044	1,043
BBPM Loan Contract	199	198
Nassa Bond	219	218
Rate Pay funding	107	135
Former-SIA funding	-	874
Other financial liabilities	348	362
Total	**6,576**	**7,474**

The Group's gross financial debt is also comprised of lease contracts (Euro 169 million), considered financial from 2019 following IFRS 16 first-time adoption, as well as liabilities associated with earn-outs or deferred prices associated with outstanding transactions (Euro 179 million) and funding to support the operations of the subsidiary Ratepay, in particular "pay-later" services (Euro 107 million).

Business Environment Following the Covid-19 Outbreak and the Conflict in Ukraine

Impact on Half-Year Business Performance

On a general level, the performance of the business was supported by the full opening of social and economic activities, especially in the service sector, which also benefited from the strong relaunch of tourism. This resulted in an appreciable acceleration in volumes, even against a backdrop of uncertainty and declining confidence resulting from the conflict in Ukraine and heightened cost-of-living tensions.
More specifically, in Italy as well as in the Nordic countries and the DACH region, acquiring transaction volumes recorded double-digit growth compared to last year, with tourism above pre-pandemic levels during the late months of the semester.

Long-Term Impacts on Operations, Strategies and Economic-Financial Performance

Impacts of the Covid 19 Pandemic

From the initial phase of the Covid-19 pandemic the Nexi Group set up remote working arrangements for almost all its employees and contractors, complying with the requirements of emergency regulations.
The *teleworking* agreement signed in December 2021 with the trade unions of the companies operating in Italy was signed by about 95% of the employees. The Group's foreign companies

implemented specific *hybrid working* guidelines and introduced plans to cover and reimburse expenses incurred by staff for remote working tools.
Even in the most acute phases of the health emergency, the Group was therefore able to offer its partner banks and end customers services in line with the usual levels of quality and promptness.
With regard to personnel operating in areas close to the military conflict in Ukraine, Nexi was quick to provide information and organisational support and assistance.
From a strategic and commercial point of view, the Group's commitment to support private individuals, merchants, partner banks, companies and PA continued in order to meet their expectations and new operational needs. Direct evidence of this, among others, are the investment in Orderbird, which strengthens the hospitality business in the heart of the European market, and the development of the Softpay solution, already launched in the Scandinavian market.

Impacts of the Conflict in Ukraine

The ongoing conflict in Ukraine and the consequent restrictive and sanctioning measures adopted on an international scale – including the blocking of payment schemes and instruments used by natural and legal persons from Russia and Belarus – did not have any significant direct effects on the Group's economic and financial performance during the half-year. Nor were specific acts of cyber aggression against the Group's systems, networks and infrastructure identified. See the section "Risks Associated with the Russia/Ukraine Conflict" of this Report for further details.

As regards the impact of the pandemic and the military conflict in Ukraine on long-term economic and financial performance, with specific reference to the potential impairment of financial statement assets, see the information referred to in the sections "Tangible Assets: Impairment" and "Nexi Group Risks" in the Notes to the Interim Financial Statements.

Group Activities

Present in more than 25 countries, Nexi is one of the main *players* operating in Europe in the paytech sector by virtue of a consolidated leadership in the Italian market, further strengthened as a result of the recent combination with SIA, and a strong presence in the Scandinavian markets and in Central and South-Eastern Europe, primarily overseen by the activities attributable to the Nets Sub-Group.
With regard to the period ended 30 June 2022, directly or through its *partner banks*, the Nexi Group managed a total amount of approximately 15.8 billion transactions for the entire value chain on the *acquiring* front and on the *issuing* front, corresponding to an aggregate volume of approximately Euro 748 billion.
The Group's core activities involve three business lines: *Merchant Services & Solutions, Cards & Digital Payments, Digital Banking & Corporate Solutions*.

Merchant Services & Solutions

Through this business line, the Group provides the services necessary to enable merchants to accept digital payments, including through commercial relationships with partner banks, for transactions carried out physically at retail outlets and digital transactions on the internet (*e-commerce*). Moreover, the Group provides administrative and customer relationship services.
The services provided by this company unit can be subdivided into payment processing services, payment acceptance services (or *acquiring* services), and POS management services. Nexi 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, and the relative activities are managed internally and/or outsourced depending on the service models. Payment services on the acquiring side encompass the entire range of services that allow a merchant to accept payments either through cards or other digital payment instruments belonging to credit or debit schemes. POS management services include configuration, activation and maintenance of POS terminals, their integration within merchant accounts software, fraud prevention services, dispute management, as well as customer support services via a dedicated *call centre*.
Thanks to the breadth of services offered, the different types of payment accepted, geographical coverage and value-added services, the Nexi Group can offer a *one-stop-shop* model for *merchants* from various European countries. The offer of this business area includes end-to-end solutions aimed at guaranteeing payment acceptance, such as to allow merchants to use the Nexi Group as a single supplier.
Furthermore, a wide range of value-added services is offered to merchants based on their growth and changing needs throughout their business life cycle, including but not limited to invoice and receipt management, consumer financing (as well as for the merchants themselves), as well as loyalty and *omni-channel* solutions.

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 user authentication and fast payments. Furthermore, the Group provides processing and administrative services such as payment tracking and the production of monthly statements, data analysis and price-setting support services, customer service and dispute management, as well as communication and customer development services through promotional campaigns and loyalty programmes.
The *Cards & Digital Payments* division provides services for the issue of payment cards almost exclusively through partner banks (issuance in *partnership* with banks).
The majority of cards issued envisage monthly repayment of the exposure by the holders ("balance"), while cards that allow the holder to repay in instalments ("revolving") are used exclusively in the case of issuance in partnership in order to limit credit risk by having the partner banks assume the risk of holders' insolvency. Therefore, the credit risk in this business line is entirely shouldered by partner banks. The Group issues a limited number of deferred debit cards and prepaid cards without the assistance of a *partner* bank.
This business line includes the services that Nets provides with regard to the following products: (i) *Account Management Services*; (ii) *Core Payment Processing; (iii) Risk Management Services*, (iv) *Digitisation Services and* (v) *eIdentity Infrastructure*.
The business division also includes operations and processing services provided in relation to national debit card schemes in Denmark ("Dankort") and Norway ("BankAxept").

Digital Banking & Corporate Solutions

Through this business line, the Group provides ATM terminal management, *clearing, digital corporate banking*, as well as network and capital markets services.
The Group is responsible for installing and managing ATMs on behalf of partner banks. Of the ATMs managed, more than a third are so-called "cash in" machines, which allow both withdrawing cash and making deposits. The service can provide for the complete management of the machines (so-called full fleet), or only part of the services (so-called outsourcing).

In the Italian market, the Group operates as an Automated Clearing House (ACH) for domestic and international payments pursuant to standard interbank regimes. By means of a dedicated platform, the Group offers member banks the possibility of exchanging flows containing collection and payment instructions, as well as the calculation of bilateral and multilateral balances to be settled at a later date (so-called settlement). Recently the Group launched the "ACH Instant Payments" service, focused on the management of instant credit transfers, which stands out for its speed of execution and continuous availability of the service.

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 four categories:

- *Electronic/mobile banking services:* development of dedicated e-banking platforms.
- *CBI, pension and collection services:* development of payment platforms capable of providing group accounts and payment management services and provision of the CBI service, which has become a payment centre connected with public authorities.
- *CBI Globe – Open Banking: provision of the service that allows the interconnection between banks and third parties through dedicated platforms to make the management of bank accounts by customers easier and more efficient, offering both information and instruction services, taking advantage of the business opportunities introduced by PSD2.*
- *Digital and multichannel payments support services:* provision of applications for invoice management and storage, prepaid card reloading, bill payments, postal payments and other services through the internet, smartphones and ATMs.

Following the merger with SIA, the Group also provides network and access services to Eurosystem Target Services, as well as dedicated services and solutions for capital market activities.

Finally, for the Scandinavian market, the business unit provides e-Security and digitisation services. More specifically, these services include the provision of e-Security solutions through "MitID" (Denmark), digitisation services that allow customers to simplify workflows, as well as services to support digital transformation.

Group Financial and Business Performance

During the first half of the year, the Group recorded – on a comparable basis – revenue growth of 8.7% to Euro 1,498 million and EBITDA growth of 19.5% to Euro 693 million, with the EBITDA margin improving to 46%.

Main Group indicators for I Half 2022		
n. 15.8 billion transactions managed (+18.8%)	Euro 1,498 million in Operating Revenues (+8.7%)	Euro 218 million in Capex (+7.0%)
Euro 748 billion in transactions managed (+18.6%)	Euro 693 million in EBITDA (+19.5%)	Net Financial Position Euro (5,245) million

Note: Percentage changes on a year-on-year basis. Revenue and EBITDA are shown on a pro-forma basis (please refer to the "Group Performance" section).

Business Unit: Financial and Business Performance

Merchant Services & Solutions reported revenues equal to Euro 800 million, +14.3%, in the six months ended 30 June 2022. In the same period, the Group handled 7.6 billion transactions, up 18.8%, for a market value of Euro 357 billion, up 19.1% mainly due to the recovery of international schemes. Following the relaxation of Covid restrictions, the physical channel accelerated compared to e-commerce.
Nets introduced Softpay, the innovative softPOS solution for large merchants, capable of turning Android smartphones and tablets into contactless payment terminals, developed with Danish payment pioneer Softpay.io. It was initially rolled out in Denmark by Salling Group, the local largest retailer, and the other Nordic countries followed. In the SME space, the first months of the year proved very positive in terms of new onboarded customers in the Nordics and in the DACH region (over +30% on the same period of 2021), especially through ISV partners. New client wins in the semester to June 2022 included e-Commerce and, most importantly, LAKAs in Germany, where - amongst others – an important internationally-recognized group entered our client base, Norway and Sweden, on top of the contract renewal with Poland's PPRO, leading provider of digital payments infrastructure, following the successful renegotiation regarding popular mobile platform Blik. The recent Orderbird acquisition has strengthened the Group's commitment to the integrated software market and enhanced the offer to the hospitality vertical, while supporting the Berlin-based company's international growth.
In the Italian SME segment, there was a growth in the frontbook of new POSs (approximately +10%), driven by the new penalties for merchants without POS from July. The contribution of new direct non-banking distribution channels increased further and the commercial push on mobility solutions (MPOS and Pay-by-Link) continued. In the LAKA segment, omni-channel gateway services were also enhanced through integration with CRM/ERP solutions (e.g. Zuora). Commercial performance marked further successes in specific segments (food retail, grocery, PA, telco). Also in the Italian market, the group recorded excellent commercial results on the sale of vertical e-commerce solutions in specific sectors, such as Ho.re.ca. In terms of product developments, the Transaction Risk Analysis service was launched to maximise the commercial effectiveness of SME and LAKA e-commerce sales. Finally, new partnerships were established nationwide for the dissemination of e-commerce services in various product sectors.

Cards & Digital Payments recorded revenues of Euro 483 million, an annual growth of 4.9%, against 8.3 billion transactions handled (excluding the Baltics), an increase of 18.7% compared to the first half of 2021 and corresponding to Euro 392 billion in market value, up 18.1% versus last year, with a significant contribution from international schemes.
In the Italian market, the first half of the year saw new impetus in the sale of the evolved international debit product (+1.1 million cards, around +43% transaction value), signs of recovery in the growth of credit cards (focus on a panel of 44 banking customers), strong demand for "Buy Now Pay Later" solutions (+29% for around 2 million plans activated since the product's launch in July 2018), further growth in the value of transactions from mobile payments (+58% for over 4 million payment cards registered), growing interest in and demand for B2B corporate virtual cards (+32% in transaction value) and substantial stability of the "YAP" customer base, an app dedicated to millennials for prepaid cards (around 1 million at the end of June, with around +10% of transactions).
Nets continued to expand its geographical footprint and activity beyond the Nordic countries into the DACH region, France, UK and the Baltics, underpinned by the strength of its proposition that supports European banks on their digital journey, and to bring new products and services to market, notably solutions in the retail finance space that are being rolled out throughout Europe. Development of UNI core processing platform progressed well. The real-time authorisation switch is now live, and migrations have commenced for Finnish issuers, to be finalized after summer.

On-boarding of Finnish PSPs will start during 2022, and once finalized the platform is in full production on both issuing and acquiring, for clearing and settlement. In March Nets and DNB, Norway's largest financial services group, extended their long-standing framework agreement, covering card issuing and other products of the payment value chain.

Digital Banking & Corporate Solutions recorded revenues of Euro 216 million, down slightly (-1.3%) compared to the same period last year, which had benefited from the contribution of specific project activities, confirming the Group's solid strategic positioning in Payment Infrastructure services, both domestically and internationally, which make it the European leader and a reliable partner for institutions and banks. Development and on-boarding for the new Open Banking platform continued, resulting in increased use in the Italian market. The Dynamic Currency Conversion (DCC) service, launched on Nexi ATMs in 2021, was extended to foreign subsidiaries in Central Europe and Greece. Finally, it notes the key role Nexi plays in innovative Distributed Ledger Technology services thanks to its infrastructure of proprietary nodes serving the European banking system.
In Denmark, after having successfully launched the new digital identity solution "MitID" for the Agency for Digitisation in close collaboration with the banking association, as of today 79% of users have migrated from the predecessor. Signaturgruppen has evolved to become the market leading MitID Broker in Denmark. On the development pipeline, MitID for corporates is planned to be launched in Q1 2023, completing one of Denmark's most important digital transition projects. Just after the reporting date, Nets divested its invoice distribution solutions business in Norway, EDIGard AS, to AnaCap. Whilst EDIGard has seen strong growth, especially over the past two years, it has over time developed into a stand-alone business, with limited commercial cross-over and synergies with DB&CS core segments.

Group Performance

Reclassified Consolidated Income Statement as at 30 June 2022

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 the Consob communication of 3 December 2015 which, in turn, encompasses the European Securities and Markets Authority (ESMA) guidelines of 5 October 2015. Please refer to the appropriate section on disclosures pursuant to said communication.

The results shown in the table below include the contribution of the Nets and SIA groups' activities:

- on a *reported* basis: in financial year 2022 only, since said activities were consolidated as of the acquisition date, i.e. 1 July and 31 December 2021, respectively, pursuant to the provisions set forth under IFRS 3 accounting standard;
- on a *pro-forma* basis: including the relevant economic effects as of 1 January 2021, and at constant exchange rates, for merely comparative and illustrative purposes up to and including EBITDA.

(Amounts in million euros)

	Reported Income Statement I Half 2022	Exchange rate effects	Constant Fx Reported Income Statement I Half 2022	Proforma Income Statement I Half 2021 (**)	Delta % Proforma
Merchant Services & Solutions	798	2	800	699	14.3%
Cards & Digital Payments	483	-	483	460	4.9%
Digital Banking & Corporate Solutions	216	-	216	219	-1.3%
Operating revenues	**1,496**	**2**	**1,498**	**1,378**	**8.7%**
Personnel-related costs	(376)	-	(376)	(371)	1.3%
Operating costs	(430)	-	(430)	(428)	0.4%
Total costs	**(806)**	**-**	**(806)**	**(799)**	**0.8%**
EBITDA (*)	**691**	**2**	**693**	**579**	**19.5%**
Amortisation and depreciation	(223)				
Customer Contracts D&A	(128)				
Interests and financing costs	(73)				
Non-recurring items	(99)				
Profit before taxes	**167**				
Income taxes	(77)				
Minorities	(1)				
Profit attributable to the Group	**89**				

Note:
(*) The EBITDA shown above is "Normalised EBITDA" whose definition is provided in the "Alternative Performance Measures" section.
(**) Data at constant FX.

Overall, Group revenues grew by 8.7% to Euro 1,498 million (at constant exchange rates, including Nets and SIA) as a result of the solid financial performance of the Merchant Services & Solutions and Cards & Digital Payments business units in the various geographies, while Digital Banking & Corporate Solutions remained substantially stable, which in 2021 – in relative terms – had benefited the most from the contribution of specific projects supporting major banking groups.

Total costs (excluding depreciation and amortisation) amounted to Euro 806 million in the half-year period, a modest increase compared to the same period of the previous year (+0.8%), thanks to the usual control over the main expense items and savings related to the initiatives launched in the various integration sites, which offset the higher charges resulting from volume growth and other variable components.

This resulted in an EBITDA of Euro 693 million, up 19.5% compared to 2021, with a margin (46%) up by approximately 4 percentage points.

Transformation costs and other non-recurring expenses recorded under EBITDA on a reported basis, and therefore not directly comparable with 2021 due to scope and exchange rates, amounted to Euro 99 million in the first half of 2022, including integration costs for the new Group (Euro 29 million), M&A transaction costs (Euro 10 million), incentive plans (Euro 9 million), as well as expenses incurred by Sponsors (Euro 11 million) and the result of discontinued operations.
As a result of the positive business development and the other dynamics described above, the half-year to 30 June 2022 closed with a Group net profit of Euro 89 million, not comparable with the same period of the previous year.

Financial Position Highlights

The main financial position indicators are listed below.

Capex

The following table details Capex investments in 1H 2022 and 1H 2021.

(Amounts in million euros)

	June 30, 2022	June 30, 2021
Ordinary tangible and intangible assets	130	45
IT and Strategy Transformation projects	87	21
Property investments	-	40
Investments (Capex)	**218**	**106**

The "Ordinary tangible and intangible assets" item accounts for electronic systems (mostly connected to POSs and 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

The Net Financial Position changed significantly as a result of the funding transactions conducted in the first half of the year, further detailed under the "Changes in Group Debt" section.
The following table details the Group's Net Financial Position as at 30 June 2022 and as at 31 December 2021.

(Amounts in million euros)

	At June 30, 2022	At December 31, 2021
A. Cash equivalents (*)	1,332	2,230
B. Cash-like items	-	-
C. Other current financial assets	-	-
D. Liquidity (A) + (B) + (C)	**1,332**	**2,230**
E. Current financial debt	(10)	(18)
F. Current portion of long-term debt	(65)	(939)
G. Current financial debt (E) + (F)	**(75)**	**(957)**
H. Net current financial debt (G) - (D)	**1,257**	**1,273**
I. Non-current financial debt	(1,752)	(1,908)
J. Debt instruments	(4,466)	(4,449)
K. Trade liabilities and other non-current financial liabilities	(283)	(160)
L. Non-current financial debt (I) + (J) + (K)	**(6,501)**	**(6,517)**
M. Net financial position (H) + (L)	**(5,245)**	**(5,245)**

(*) = lthe item includes the liquidity of the parent company Nexi shown in the item "Cash and cash equivalents" and the available liquidity generated during the period by the operating companies (including that which was acquired as a result of business combinations), shown in the financial statements under "Financial assets at amortised cost".

It should be noted that, at the time of publication, all the covenants provided for by the financings have been complied with. Such covenants and the negative pledges are further described under note 38 of the Notes.

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

(Amounts in million euros)

	Statement of Cash Flows[(1)]	Reconciliation (*)	Group liquidity[(2)]
Profit for the period	90	-	90
Depreciation/amortisation, unpaid taxes and other non-cash items	396	-	396
Cash flow of operations	**486**	**-**	**486**
Cash flow generated by financial assets/ liabilities	24	(25)	(1)
Operating cash flow	**510**	**(25)**	**485**
Cash flow absorbed by investment activities	(462)	-	(462)
Cash flow generated by financing activities	(921)	-	(921)
Cash flow generated in the period	**(873)**	**(25)**	**(898)**
Opening cash and cash equivalents	1,546	684	2,230
Closing cash and cash equivalents	**673**	**659**	**1,332**

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

(2) = Liquidity of the Group included in the Net Financial Position: in addition to the parent company's cash, the definition of "cash and cash equivalents" also includes the liquidity generated by the Operating Companies.

(*) = Difference resulting exclusively from the different definition of "cash and cash equivalents" equal to:
- the cash flow generated in the I Half 2022 by operating companies (Euro 388 million) minus the cash flow generated in 2021 (Euro 412 million) and distributed in 2022 mainly through dividends;
- other available cash from the operating companies (Euro 271 million).

Alternative Performance Measures

In line with guidelines published on 5 October 2015 by the European Securities and Markets Authority (ESMA/2015/1415), and subsequent updates, and for the purposes of the consolidated half-yearly report, Nexi Group, as well as reporting figures for income statement and net financial position envisaged under the 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 1H, the alternative performance measures adopted by the Group were substantially unchanged compared with the previous period, in terms of both definition and calculation method. Note that, consistent with the 2021 financial statements, the format used for the presentation of the Net Financial Position has been updated in order to incorporate the indications set out in Consob warning notice 5/21.
Pursuant to standing rules and regulations, the following sections further detail Group APMs.

Operating Revenues

Nexi defines Operating Revenues as the Financial and Operative Income normalised in respect of non-recurring expenses and income, excluding, where applicable, net financial charges on Bond Loans and Financing. Excluded from Operating revenues are those from non-core businesses, including companies or business units being divested. The following table details the reconciliation of the Financial and Operative Income to operating revenues of interim periods ended in June 2022 and 2021.

(Amounts in million euros)

	I Half 2022	I Half 2021
Financial and operating income	1,435	460
Net financial charges (*)	73	78
Non-recurring costs/(income) (**)	(1)	1
Operating costs/(income)	(12)	1
Operating Revenues	**1,496**	**540**

(*) For the period as at June 30, 2022, the item includes interest and commissions on Nexi SpA funding and interest and other financial items related to the operating companies). Such items are reported under "Financial and operating income" in the income statement.

(**) For the period as at June 30, 2022 the item is mainly related to non-core businesses.

Normalised EBITDA

Nexi defines normalised EBITDA as profits for the period adjusted for (i) income (loss) after tax from discontinued operations, (ii) income tax on continuing operations, (iii) profit/loss on equity investments and disposals, (iv) interest and financing costs (included in the net interest income), (v) net value adjustments/write-backs on tangible and intangible assets, and (vi) non-recurring expenses and income, including those from non-core businesses/entities.
The following table details reconciliation of Group profits and normalised EBITDA for the periods ended 30 June 2022 and 2021.

(Amounts in million euros)

	I Half 2022	I Half 2021
Profit for the period	90	50
Income (loss) after tax from discontinued operations	(4)	-
Income taxes	77	(12)
Profit (loss) from equity investments and disposals of investments	(4)	-
Interests and financing costs (*)	73	78
Net value adjustments/write-backs on tangible and intangible assets	349	87
Non-recurring financial and operating income (*)	(1)	1
Other non-recurring expenses/income impacting EBITDA (**)	110	95
EBITDA	**691**	**298**

(*) Please refer to the previous table.

(**) For the period ended June 30, 2022 this item primarily consisted of non-recurring administrative expenses, mainly related to the stock grant assigned by Mercury UK and to LTI (Euro 20 million), including integration costs or costs related to M&A operations (Euro 40 million), in addition to other non-recurring costs mainly related to the Group's transformation plan.

Investments (Capex)

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

Net Financial Position

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

- bond issued and loans stipulated by the Group, included under "Financial liabilities measured at amortised cost";
- liabilities deriving from business combination transactions, consisting of the earn-out payables 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 (Leases) and included under "Financial liabilities measured at amortised cost".

The item "Cash equivalents" includes the cash equivalents of Nexi SpA classified under "Cash and cash equivalents", and the liquidity available from the subsidiaries, included in the item "Financial assets measured at amortised cost" of the Statement of Financial Position.

Governance and Control Structures

Board of Directors

On 5 May 2022, the Shareholders' Meeting appointed the Board of Directors until the date of approval of the financial statements as at 31 December 2024, setting the number of members at 13.
On the same date, the Board of Directors appointed the Chairperson and the Chief Executive Officer in continuity with the previous mandate.

Chairperson	Michaela Castelli
CEO and General Manager	Paolo Bertoluzzo
Directors	Ernesto Albanese
	Elena Antognazza
	Luca Bassi
	Maurizio Cereda
	Elisa Corghi
	Stefan Goetz
	Marina Natale
	Bo Nilsson
	Jeffrey David Paduch
	Francesco Pettenati
	Marinella Soldi

Internal Board Committees

On 5 May 2022, the Board of Directors resolved on the appointment of the members of the Internal Board Committees.

Remuneration and Appointment Committee (*)

Chairperson	Elisa Corghi
Members	Michaela Castelli
	Maurizio Cereda

Risk, Control and Sustainability Committee (*)

Chairperson	Marinella Soldi
Members	Ernesto Albanese
	Michaela Castelli

Related Party Transactions Committee (*)

Chairperson	Marina Natale
Members	Elena Antognazza
	Elisa Corghi

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

Strategic Committee

Chairperson	Paolo Bertoluzzo
Members	Luca Bassi
	Michaela Castelli
	Stefan Goetz
	Bo Nilsson
	Jeffrey Paduch
	Francesco Pettenati

Board of Statutory Auditors

On 5 May 2022, the Shareholders' Meeting appointed the members of the Board of Statutory Auditors until the date of approval of the financial statements as at 31 December 2024.

Chairperson	Giacomo Bugna
Statutory auditors	Eugenio Pinto
	Mariella Tagliabue
Alternate auditors	Serena Gatteschi
	Sonia Peron

Financial Reporting Manager

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

Independent Auditors

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

Group Internal Control Systems

The period was characterised by the completion of a series of strategic transactions that transformed the Group's corporate structure. Specifically, with regard to auditing, after the successful integration of the Audit Function of Nets, which was completed in 2021, the resources of the SIA Group were successfully integrated into the Audit Function of Nexi. At the same time, a process was developed to apply the identified methods uniformly within the Group. During the period, Nets adjusted the audit report rating scale to make it consistent and homogeneous with the one already in use for Nexi and Nexi Payments.

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

During the period, the Audit Function kept the metrics adopted for the assessment of the ICS unchanged, with the tool and method already in use, while integrating the new activities related to the corporate acquisition of the SIA Group. The standardisation and automation of information processing and analysis processes are essential elements for a consistent, uniform assessment at a Group level.

In order to maintain an appropriate level of awareness of the risks of each business area, periodic managerial reporting to the Group's ExCo members on their set of corrective actions continued.

On the subject of risk management, initiatives for discussion and cooperation with the Group Risk Management Function were continued.

With regard to on-site audits, the plans saw – more markedly in Italy – the entry of a significant number of "unplanned" activities, particularly in terms of external audits from customers. Although at present there is no need to revisit the originally approved plan, a revision could become necessary in the second half of the year if the trend remains unchanged. The information flows from the audit team responsible for activities in the Nets scope continued to be structured and gradually refined.

In this context, the activities undertaken by the German regulator BaFin with respect to the subsidiary Concardis GmbH were duly reported. The Audit Function, through information flows from Nets and the local audit manager, monitored the remediation plan prepared in response to the findings, verifying its proper progress with respect to the planning and importance of the uncompleted actions.

Finally, with regard to the work programme defined with the Group SBs, the Audit Function is conducting the audits envisaged in the year and supporting the Body in the impact analysis assessments that emerged following the merger. Furthermore, first steps were taken to update the Management, Organisation and Control Models pursuant to Italian Legislative Decree 231/2001 for all the Italian companies of the Nexi Group (Nexi SpA, Nexi Payments, Help Line SpA, Service HUB SpA and Mercury Payment Services SpA) whose processes are affected by changes that are relevant for regulatory purposes and to take account of organisational changes that have occurred, also with reference to the entry of SIA into the scope.

Second level controls for the Group's supervised companies, which aim to help define the business risk measurement methods 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 the operational ones, and specifically to:

- the Risk Management Function, which also features an Information Security Manager;
- the Compliance & AML Function, which includes the Anti-Money Laundering Function, the Officer Responsible for Reporting Suspicious Transactions 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.

Risk Management performs the function of controlling risk management. The Function has an Enterprise Risk Management (ERM) Framework that – in line with top management's vision and the recommendations within the Code of Conduct for Listed Companies pertaining to risk management and control – focuses on the identification and handling of top risks impinging on value creation and protection. To that end, it is tasked with injecting a risk management culture and practices thereto pertaining in corporate processes relevant to strategic planning and performance management.
The Group's Enterprise Risk Management Policy, updated during 2021 so that it could also be applied to Nets through the definition of a Risk Management unit at the central and Legal Entity levels, outlines:

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

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

- identify, prioritise and periodically monitor the major 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.

Moreover, in accordance with the relevant regulatory provisions and with the market best practices, Nexi also adopted a management framework specific for operational and security risks, with particular reference to the ICT risk assessment and its interaction with a broader range of operational risks, so as to ensure an increasingly efficient monitoring of risks. The Operational Risk Management Framework integrates and adds to the Enterprise Risk Management Framework; the results of the two methods, in terms of exposure to operational risks, converge consistently. Therefore, the Operational Risk Management Policy has been implemented at Nexi Payments to manage and mitigate operational risks.

With regard to recurring activities carried out during 1H 2022, the Function continued to monitor the implementation of mitigation plans on priority risks on a monthly and/or quarterly basis, updated the ERM risk assessment in order to provide an outlook of improving/stable/worsening risks and integrated those arising from the ex-SIA business into the risk map. Moreover, the Function ensured continuous monitoring of operational and IT risks (in cooperation with the CISO Area), the service risk analysis, the implementation and reporting of the reputational risks dashboard and managed the insurance package to cover the Group's main risks. Furthermore, we note the continued strengthening of credit risk assessment and monitoring, the analysis of risks and opportunities arising from climate change and analysis of third-party risks.

The Compliance & AML Function checks compliance with the Regulatory Areas assigned to it using a risk-based approach.

In the first half of 2022, to support the Group Compliance Function, the Function prepared the Group Guidelines (Compliance Risk Management, Whistleblowing, AML, PSD2, GDPR), which were approved by the Board of Directors of the Parent Company in May 2022. They will then be approved at the next meeting of the Boards of Directors of the Group companies. It ensured the collection of Compliance information flows from the Compliance Functions of the individual companies; it verified the adoption of the Group Anti-Corruption Policy and Code of Ethics by all Group companies, as well as monitored regulatory updates at a European level relating to anti-corruption, whistleblowing, GDPR, PSD2, AML and at a national level with respect to Italian Legislative Decree 231/01. It also gave continuity to the coordination of the DPO Community.

With reference to the recurring activities carried out during 1H 2022, in addition to the measurement of non-compliance risks also through the execution of a multi-year risk-based plan of installation and operation tests, the Function continued to monitor the implementation of remedial actions on the non-compliance risks highlighted with the aim of ensuring the continuous monitoring of non-compliance risks. The Function's commitment to providing assistance and advice to top management bodies and corporate structures through the drafting of specific opinions was important and continuous. As part of the project initiatives and in light of new products and services, the relevant assessments were carried out in advance and the appropriate instructions were provided to ensure the implementation of compliant initiatives.

The Function continued with its activities aimed at ensuring compliance with the e-commerce payment system through the analysis of the proposed solutions and their consequent orientation towards choices that comply with current regulations.

As part of the consolidation centred on data protection, as referred to in Regulation EU 2016/679 on data protection (GDPR), during the first half of the year, in keeping with the analyses performed in 2021, for personal data stored on electronic instruments the process of establishing the Master Database of positions eligible for deletion began, which all applications must draw on in order to materially perform the deletions in their databases. For personal data stored on paper, in continuity with what was established in 2021, controlled shredding campaigns continued. With regard to the international transfer of personal data, the framework for conducting impact assessments on transfers of the personal data concerned, established at the end of 2021, was applied for the assessment of the relevant providers.
Following the creation of the "Group Data Protection Officer" and the concurrent assignment of a DPO to each Group Company, the Group's "Rules for the Protection and Processing of Personal Data" were abolished in favour of an equivalent document drafted for each Italian Group Company. Following the merger of SIA into Nexi Payments, the simultaneous creation of the Company Service HUB, and in consideration of the above, initiatives were carried out to revise the Privacy Organisational Models of these Companies and of the remaining Italian Companies of the Group, which, among other things, entailed the appointment of new Officers and Coordinators on the basis of the current organigrams. For the same reason, activities were carried out to analyse and share the processing of personal data previously carried out by SIA, in cooperation with the Coordinators and other parties concerned, in order to transfer them to the Records of processing activities of Nexi Payments, Service HUB and SIApay, as both Data Controller and Data Processor, also according to the intra-group contracts drawn up. These activities are currently being completed.
With regard to the foreign companies of the former SIA Group, considerable efforts in terms of time and resources were made to improve governance with respect to the GDPR, while also aligning the organisational framework, after joining the Nexi Group. For instance, activities related to the GDPR Improvement project continued in SIA Central Europe, which differed according to the relevant branch. Furthermore, a project was launched to semi-automate the management of the Record of processing activities in order to improve its efficiency.
With regard to the Nets Sub-Group, in order to improve the level of maturity in compliance with data protection regulations, resources were allocated as a priority, focusing efforts on identified mitigation actions. The efforts and priorities assigned vary between the Business Units and Group structures. Indeed, for Merchant Services a considerable effort is being made to close the gaps that emerged from the internal audit on governance with respect to GDPR.

With regard to anti-money laundering regulations, during the first half of 2022 the Policy was updated mainly to incorporate the refinements of the existing processes on restrictive measures and international sanctions, the new biometric controls put in place to strengthen the processes of remote due diligence as well as the role of the Risk and Control Committee within the AML processes. Work continued on strengthening controls to counter emerging phenomena, also as a result of new initiatives, as well as the streamlining of transaction monitoring and enhanced due diligence processes. Lastly, work continued on improving the quality of the data collected by the placement banks during the due diligence phase, thanks to the collaboration with the Sales Area for raising the awareness of the placement banks. The data quality monitoring controls were strengthened with the support of the Data Science department, which made it possible to streamline the analysis process aimed at identifying the causes of the anomalies identified and to make the direction and prioritisation of the necessary actions on the on-boarding channels more effective.

Lastly, with regard to the Nets Denmark A/S scope, of note is the business's continued and increasing focus on implementing the policies issued by the Group, as well as on the maturation path of the second line of defence in the PSD2 (Payments Services Directive) area.

Nexi Group Organisational Structure

On 1 January 2022, as part of Nexi's continued transformation, the merger by incorporation of SIA SpA into Nexi SpA was finalised.

Consistent changes were therefore made to the organisational structure as a result of:

- the transfer of SIA's "Payments" business unit to Nexi Payments;
- the transfer of SIA's "Customer Operations" business unit to Service Hub;
- the fine-tuning of Nexi Payments's organisational model.

The transaction left unchanged the organisational structures of Help Line, Mercury Payment Services, SIApay, SIA Central Europe, SIA Greece (which as of 30 June 2022 changed its name to Nexi Greece) and PforCards.

The resources of the integrated branches were merged by area of competence into the new organisational structures, also with the aim of strengthening the current functions with a view to knowledge sharing and guaranteeing continuity in areas previously covered by SIA, in full compliance with existing contracts.

The main changes in the organisational structure of **Nexi Payments** were as follows:

- within the CFO area, the new International Markets CFO BP structure was created, dedicated to BP activities in the International Markets area;
- the Digital Banking Solutions BU was renamed to Digital Banking & Corporate Solutions. Functions dedicated to the management of payment infrastructures were integrated within it, including the establishment of Central Institutions;
- the new International Market BU was created, focusing on international business management;
- in the Commercial area, the Partnerships & Acquisition staff structure was placed in line and reorganised to better monitor commercial partners through the creation of the new Strategic Partnerships structure and the Poste PA & Transit structure.

Nexi Payments also acts in servicing for the Parent Company Nexi SpA in the following areas:

- Group Audit;
- C&EA Area: Group Legal Strategy and Transformation, Group Public Affairs, Group Corporate Governance;
- CFO Area: Group Finance Transformation, Group Finance & Treasury (except Italian Treasury), Strategic Planning & Reporting (for some functions), Administration (Group Accounting Consolidation only), Group M&A, Investor Relations, Group Procurement;
- Transformation & Strategy Department: Group Brand Strategy, Group Business Strategy, Nexi-SIA Transformation Office;
- CIO Area: Group CIO.

Nexi Payments maintains functional coordination of Help Line Operations, Mercury Payment Services and Service Hub in order to continue the convergence of the Group's Operations models.

The organisational structure of **Service Hub** approved following the merger with SIA saw the implementation of a number of changes during the first half of the year in order to create greater operational efficiency and implement a more organic and strengthened supervision of operations.
Specifically:

- separation of the former Customer Operations IGR function in the following departments: Operations (focused on dispute, fraud, accounting & transaction control management and customer on-boarding) and Customer Operations;
- at the level of staff functions, the Service Management & Training activities were merged into the Global Performance & Data Management function, while the Global Process Optimisation & Automation function reports to the CEO to manage activities related to robotics and artificial intelligence and lean/six sigma.

Within **Mercury Payment Services**, the main organisational change concerned the area reporting to the Governance & Guidelines Customer Operations structure, in which two separate call centre structures were defined to guarantee telephone support services for merchants and cardholders respectively.
Furthermore, within the Governance & Guidelines Customer Operations structure, there is Staff Planning, Outsourcing & Performance monitoring, which focuses on the coordination, planning and monitoring of call centre operations.

In **Nets** the main organisational changes concerned:

- Group Functions:
  - In Technology, a new Nets CTO organisation was created.
  - The Finance function in Issuer & Security Services and Merchant Services merged with Finance in Group Functions.
  - The HR function in Issuer & Security Services and Merchant Services merged with HR in Group Functions.
- Merchant Services:
  - In the e-Com business, the PSP business was delayed to allow faster decision-making. Furthermore, the rebuilding of the digital services business with a focus on key verticals has begun.
  - Control functions (including subsidiaries) centralised and modified reporting lines to ensure compliance.

As far as **SIA Central Europe** is concerned, the first half of the year saw two reorganisations that slightly changed the structure of the Customer Operations and IT Infrastructures Departments, while a third – whose go-live is happened for 1 July – provides for the creation of a new service line.
The main organisational change during 2022 in SIA Central Europe was the creation of the Windows, EUS support and Unix-Oracle structures, with the simultaneous optimisation of the Distributed Network structure, in order to improve the quality of internal co-operation, communication between teams and cost management within Technology & Infrastructures.

In **Nexi Greece**, the reorganisations were designed to complete the value chain of the Prometheus project and to increase the quality of the testing and network management processes: Moreover, in the first part of the year the company welcomed two new top management positions, Managing Director and CFO.
The main organisational changes in Nexi Greece during 2022 were as follows:
- in the IT Infrastructures Department, the Network Department structure saw the creation of two new offices: Delivery and Architecture. The reorganisation, which also allowed for the internal growth of two people, aims to improve decision-making processes and provide clearer objectives and communication channels.
- in June, the Business Analysis & Product Innovation department started the transformation of its Test Centre, which was reinforced with new skills and relocated to report directly to Slobodan Babic. Focus is thus placed on the importance of testing as a key activity in the development of customer services.

For the first half of 2022, the organisation of **PforCards** was confirmed and the only change applied at an organisational level concerned the modification of the "Run" and "Development" area to "Fraud and Development - Run & Change" and "Self-service lifecycle - Run & Change". The new structure arose from the need to have a clear definition of responsibilities and to better respond to customer (Unicredit) demands.

Regulatory Compliance

With regard to the activities carried out by Group Compliance, in the first half of 2022:
- Group Compliance Guidelines were issued, specifically: **Group Compliance Management Guidelines, Group Whistleblowing Guidelines, Group PSD2 Guidelines, Group AML Guidelines and Group GDPR Guidelines**. These guidelines are part of the "Group Internal Rules System" as governed by the Nexi Group's "General Rules on the Exercise of Direction and Coordination" and the Group's "Group Rule System" guidelines, and constitute one of the tools used by the Parent Company to guide and carry out direction and coordination while safeguarding the autonomy, responsibilities and independence of its Subsidiaries.
- The **Code of Ethics** and the **Group Anti-Corruption Policy**, approved by the Parent Company in December 2021, were approved by the Boards of Directors of the Subsidiaries.
- A call for tenders was launched to identify the consultancy firm that will provide support in the second half of the year for the updating of the **Organisational Model pursuant to Italian Legislative Decree 231/2001** of the Group companies concerned.

With specific reference to issues related to **payment services**, the monitoring and analysis of regulatory developments continues, both with respect to EBA clarifications (by means of specific Q&As) and to new regulatory changes (new directive - PSD3) that require the continuous revision of business processes and procedures. Operations were completed to proceed with the application of the exemptions to strong customer authentication, in compliance with the requirements governed by EU Delegated Regulation 389/2018, and the review of security measures – with particular regard to issuing – was started and will be completed by the end of the year. With regard to the world of payments via the physical channel, the plan to migrate payment cards to chip&pin authentication mode continues, with continuous monitoring of fraudulent cases as well as customer support by means of special communications. Note that migration will end in December 2023.

Lastly, communications regarding the assessment of operational and security risks, as well as communications arising from serious incidents that occurred during the period, have been submitted to the Bank of Italy, and a governance model for outsourced functions has been defined and adjustments are under way, also taking into account the provisions of the relevant EBA Guidelines.

As far as Nets is concerned, a new monitoring plan has been launched to oversee the requirements introduced by the PSD2 Directive, focusing on first-level controls.

On 1 January 2022, the ECB Regulation on Payment Statistics came into force, which updated the reporting rules by integrating reporting on fraud data into the **supervisory reporting**. Reporting under the new schemes is effective from March 2022 for both Nexi Payments and SIApay.

Actions continue with respect to the "**Provisions on surveillance of payment systems and technological or network infrastructures**" published in December 2021. These provisions will be supplemented by an Operating Guide and an annex containing business continuity measures currently under review (documents not yet issued by the Supervisory Authority).

For Nexi Payments, the steps necessary to inform customers of **currency charges applied to cross-border payments** as required by **Regulation (EU) 2019/518 of 19 March 2019** are under way.

With the extension of the **Stanca Law** also to private entities such as Nexi Payments, a specific project was launched aimed at defining the actions necessary to ensure the accessibility of the Nexi Payments website and mobile devices by people with disabilities. With the publication of the AgID guidelines applicable to private providers, the full scope of Nexi's properties was defined and an assessment was launched to identify the technical requirements and implementations to be carried out in order to then proceed with the submission of accessibility declarations for mobile applications and websites, which will have to be carried out in accordance with the new AgID guidelines.
Following integration with SIA, the necessary adjustments continue in view of the publication of Italian Decree-Law no. 82 of 14 June 2021, "**Urgent provisions on cybersecurity, definition of the national cybersecurity architecture and establishment of the National Cybersecurity Agency**".

With regard to **Regulation (EU) 2016/679 on data protection (so-called GDPR)**,

- Nexi continues to consolidate its data protection activities as set out in the GDPR, as well as monitoring activities to ensure that the solutions adopted ensure compliance. During 1H 2022:
  - efforts continued to increasingly identify and delete personal data stored on electronic or paper instruments which have exceeded the retention periods envisaged by law. For personal data stored on electronic media, in continuation of the analyses carried out in 2021, the process of establishing the Master Database of positions eligible for deletion began, from which all applications must draw in order to materially perform the deletions in their databases. For personal data stored on paper, in continuity with what was established in 2021, controlled shredding campaigns continued;
  - with regard to the international transfer of personal data, the framework for conducting impact assessments on transfers of the personal data concerned, established at the end of 2021, was applied for the assessment of the relevant providers;
  - following the creation of the "Group Data Protection Officer" and the concurrent assignment of a DPO to each Group Company, the Group's "Rules for the Protection and Processing of Personal Data" were abolished in favour of an equivalent document drafted for each Italian Group Company;

- following the merger of SIA into Nexi Payments, the simultaneous creation of the Company Service HUB, and in consideration of the above, initiatives were carried out to revise the Privacy Organisational Models of these Companies and of the remaining Italian Companies of the Group, which, among other things, entailed the appointment of new Officers and Coordinators on the basis of the current organigrams. For the same reason, activities were carried out to analyse and share the processing of personal data previously carried out by SIA, in cooperation with the Coordinators and other parties concerned, in order to transfer them to the Records of processing activities of Nexi Payments, Service HUB and SIApay, as both Data Controller and Data Processor, also according to the intra-group contracts drawn up. These activities are currently being completed.

With regard to the foreign companies of the former SIA Group, considerable efforts in terms of time and resources were made to improve governance with respect to the GDPR, while also aligning the organisational framework, after joining the NEXI Group. For instance, activities related to the GDPR Improvement project continued in SIA Central Europe, which differed according to the relevant branch. Furthermore, a project was launched to semi-automate the management of the Record of processing activities in order to improve its efficiency.

With regard to the Nets Sub-Group, in order to improve the level of maturity in compliance with data protection regulations, resources were allocated as a priority, focusing efforts on identified mitigation actions. The efforts and priorities assigned vary by Business Unit and Group structure.

With regard to the regulatory framework on **anti-money laundering**, Nexi Payments continued to take steps to improve controls to combat emerging phenomena, also following new initiatives. Following the start of the war between Russia and Ukraine, Nexi launched a specific working table at the Group level aimed at analysing the restrictive measures and international sanctions issued from time to time by the international authorities, defining their impact and implementation on the operations of each Group Company. Nexi Payments also defined the actions to be taken to refine existing internal processes, also taking into consideration the new disclosure requirements defined at a national level. Dialogue continued via trade associations for participation in the consultation, following the European Commission's issuance of a package of proposals to consolidate EU anti-money laundering and counter-terrorist financing legislation and regulations in July 2021 in order to establish a unified European regulatory framework.

With regard to the Nets Sub-Group, the priorities in the area of financial crime prevention were driven by the mitigation activities initiated following the Danish FSA inspection in 2020. The last injunction is expected to be promptly closed in July 2022. Special attention was paid to financial crime prevention in the Baltic countries, where the organisation was strengthened by adding an AML/CTF resource to the local structure.

Lastly, note that in view of the new projects organised by Nexi Payments as well as the initiatives planned for the second half of the financial year, a regulatory analysis for crypto assets was launched with a particular focus on recent regulatory developments in this area (see Bank of Italy Communication on decentralised technologies in finance and crypto assets - June 2022).

Group IT Systems

During 2022, the IT function's activities were focused on the implementation of the Group's technological transformation programme and on the continuation of IT projects aimed at supporting business objectives and guaranteeing optimal customer service levels at an individual company level (Nexi Payments, Nets).

With regard to the Group's technological transformation programme, during the first half of the year the main projects scheduled for 2022 were initiated for each area of implementation (Issuing & Acquiring, Payments, Digital, Corporate Systems, Infrastructure & Security).

The main activities carried out in 2022 are shown below (excluding activities related to ordinary operations for the management of the services).

Within the scope of *Issuing systems*, the main activities are described below:

Italian market:

- definition of a strategic partnership with BANCOMAT for the development of the new BANCOMAT platform;
- development of the International Debit product and expansion of the customer base through the integration of new banks;
- management and evolution of Issuing platforms for Intesa Sanpaolo customers, also in light of the implications deriving from mergers in the Italian banking system.

Nordic countries:

- evolution of the Card Processing platform and its rollout to other Nordic countries;
- expansion and evolution of digital card lifecycle services for Issuing customers (XPay provisioning, Instant Issuing, Secure card data display);

Greek market: consolidation of Alpha Bank's authorisation systems on the PowerCard platform;

At the Group level, analysis for consolidation and optimisation of platforms in light of corporate operations.

As far as the *Acquiring* area is concerned, the main activities are outlined below:

Italian market:

- updates of the new Core Acquiring and Merchant Onboarding platforms and migration of Customer Banks to the new platforms;
- management and evolution of Acquiring platforms for Intesa Sanpaolo customers, also in light of the implications deriving from mergers in the Italian banking system.

Nordic countries:

- updates of POS terminal management platforms (software-only terminals, thin clients) in order to reduce hardware costs for merchants and expand the range of functions for enterprise management (e.g. integration of systems for electronic orders and cash registers for restaurants);
- launch of a new Petrol payment platform for retail customers and new Merchant Finance solutions.

At the Group level, analysis for consolidation and optimisation of platforms in light of corporate operations.

As far as *Payments Systems* are concerned, the following activities were carried out:

- Italian market:

- function evolution for the Remote Corporate Banking platform;
- functional updates of the Nexi Open platform and expansion of commercial products for the Corporate/SME segment;
- updates of the Instant Payments platform, in line with market demands and Eurosystem regulatory requirements;
- evolution of the ATM commercial offering and consolidation of the terminals' management platform;
- closing of a strategic agreement with a third party for the partial divestiture of the Application Centre business in light of the guidelines issued by the Anti-Trust Authority in connection with the Nexi-SIA merger.

At the Group level, implementation of actions related to the consolidation and optimisation of the ACH and Multichannel platforms, following the Nexi-SIA merger.

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

- Greek market: acquisition of Alpha Bank's merchant book through the creation of a joint venture between Nexi and Alpha Bank;
- Italian market: merger by incorporation of Credito Valtellinese into Crédit Agricole;
- At the Group level, analysis for the consolidation of Corporate Systems in light of recent corporate operations.

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

Italian market:

- continuous development of the properties and technological architecture of digital channels (apps, portals); activation of Mobile Payment services with additional customer banks;
- updating of the target platform for the Nexi Payment Gateway and continuation of the merchant migration.

Nordic countries: launch of an all-digital solution for on-boarding on eID, based on electronic passport reading through chip and facial recognition.

At the Group level, launch of the Digital Hub, definition of strategic partnerships and activation of the recruitment plan.

In the *Capital Markets & Network area*, the main activities are reported below:

Italian market:

- technological and functional updates of Capital Markets platforms, in line with market and regulatory requirements;
- finalisation of a preliminary agreement for the sale of the Capital Markets business and related technology platforms to Euronext.

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

Italian market:

- continuous optimisation of Big Data infrastructure to reduce refresh and access times of company data;
- development of data analytics tools for partner banks and business units, supporting commercial actions.

Nordic Countries:

- evolution of data analytics services to support SME customers and data insights to support specific Corporate customers.

The activities of the *Technology area* focused on the following activities:

Nordic Countries:

- conclusion of strategic negotiations with vendors for the consolidation of data centres in Finland;
- decommissioning of the Nets legacy data centre.

At the Group level:

- unification and rationalisation of Infrastructure, Network and Desktop & Collaboration technologies in light of corporate operations (data centre, mainframe, collaboration tools);
- consolidation and integration of processes and systems for monitoring Service Levels.

In the area of ***IT Security and Business Continuity***, activities focused on:

Italian market:

- ongoing activities aimed at improving IT Security and reducing potential vulnerabilities within the Group IT systems (e.g. database firewall, identity management for networks, network segregation) and within 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 management platform.

At the Group level:

- unification/rationalisation of IT Security solutions (e.g. unification of SOC, IAM, Business Continuity solutions etc.);
- definition of a common strategy for the renewal of security certifications (e.g. PCI DDS, ISO 27001), with the aim of generating savings and synergies for the various Group entities. Certification activities initiated and currently ongoing, with the involvement of qualified Security Assessors.

The activities of the ***IT Governance*** area are outlined below::

- monitoring and reporting of Nexi Payments and Group IT Strategy programmes;
- improvement of portfolio management processes in the Nordic countries, with the aim of ensuring greater transparency and alignment between IT and Business, and optimising capacity allocation based on business priorities;

- support in the definition of the investment budget and monitoring of spending review initiatives;
- overseeing organisational changes in the CIO Area and supporting the implementation of new IT Governance processes in light of corporate operations;
- implement People Management and Skill Management initiatives in cooperation with the competent Group functions.

Human Resources

The Group's workforce is as follows:

	June 30, 2022	Dec. 31, 2021
Average number of employees	10,063	9,842
Total employees	**10,197**	**9,929**

Main Risks and Uncertainties

Risks Associated with the Russia/Ukraine Conflict

Adding to the fears of the Covid-19 pandemic during the first half of 2022 was the economic and political instability generated by the Russia/Ukraine conflict, which, although localised, continues to have considerable effects on economies around the world. The two countries involved account for a significant portion of global energy exports (mainly in the forms of natural gas, oil, coal), therefore rising prices and delays in supply are negatively affecting industrial production, especially in Europe.
The outlook for the medium to long term is closely linked to the evolution of the conflict between Russia and Ukraine and the measures that governments will take to adapt to this context of strong geopolitical uncertainty and inflationary pressures. Having recently faced an economic crisis of global proportions undoubtedly makes a new reaction by companies and government bodies more complicated.

Moreover, if the economic crisis linked to the pandemic is exacerbated in the second half of the year, also due to further stringent and/or restrictive measures to combat the pandemic that the government and/or local authorities could adopt, revenues of the Nexi Group could suffer as a result of a general drop in transaction volumes. In this regard, note that over half of the revenues of the Nexi Group depend on the volume of transaction flows actually managed in a given period.

The macroeconomic uncertainties due to the Covid-19 pandemic and the evolution of the Russia/Ukraine conflict may also impact the ability of the Nexi Group to pursue the synergies expected from the Nets and SIA Mergers in the amounts and times envisaged.

Risks Related to the Nets Merger

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

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

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

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

Risks Related to the SIA Merger

The process of integration between the Nexi Group and the SIA Group led to a review of the organisational structure, of certain key processes for conducting business and of certain IT systems supporting them.

Thanks to the SIA Merger, Nexi is continuing its efforts to create the leading PayTech company in Europe that is able to cover the entire digital payments value chain and serve all market segments with the most complete and innovative range of solutions: from digital payment acceptance services for large and small merchants to the most sophisticated omni-channel and e-commerce solutions, from issuing and management of all types of cards to mobile payment apps, from B2B digital payment solutions to open banking, from local public transport solutions to interbank networks and clearing and trading services for major Italian and international institutions. The strategic combination between the Nexi Group and the SIA Group is proceeding according to plan and will also allow for the achievement of important industrial and financial synergies as early as 2022.

The synergies deriving from the SIA Merger are mainly focused on the issuing side of the electronic money sector and on Digital Corporate Banking solutions when it comes to turnover synergies, and on synergies generated in Italy as far as cost synergies are concerned. In particular, synergies of approximately Euro 150 million per year are expected once fully implemented (i.e. from 2025) at the level of operating cash flow (cost synergies, revenue synergies and capital expenditure synergies).

The achievement of the objectives and synergies underlying the SIA Merger could be limited, delayed or prevented by a number of circumstances, some of which are beyond the control of the companies participating in the SIA Merger, including by way of example (i) changes in the general economic conditions, (ii) the ability of the Group post SIA Merger to react to possible changes in the market, (iii) unplanned investments in the IT infrastructure, or more generally in relation to the integration between the two businesses.

Risks Related to Macroeconomic Conditions and Political Uncertainty in Italy and Europe, in the Countries where the Group Operates

The merger with the Nets and SIA Groups also exposed Nexi to the European and non-European market and the related economic and political conditions of the countries where the Group operates. Indeed, after the Nets and SIA Mergers the Nexi Group has more operations in the Nordic countries, Germany, Austria, Switzerland, Poland, Central-Eastern Europe, South-Eastern Europe and South Africa.

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

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

Finally, the performance of the world's economies is subject to the uncertainty associated with the evolution of the Covid-19 pandemic and Russia/Ukraine conflict.

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

Risks Related to Customer Concentration

A significant part of the activities of the Nexi Group is carried out through commercial relationships with partner banks, thanks also to their network and branch networks.

The concentration of relationships with partner banks leaves the Nexi Group exposed to the additional risk that the performance of the banking and financial institutions sector, as well as possible integrations within such sector, could have possible negative effects on the Nexi Group itself. It is also possible that bigger banking or financial institutes arising from mergers or consolidations may hold greater bargaining clout in negotiations with the Nexi Group. Lastly, the extent of the 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.

Moreover, due to the recent global health crisis caused by Covid-19 and the consequences on the economy, non-performing assets could potentially increase with negative effects on the balance sheets of financial institutions. Should a partner bank of the Nexi Group be the subject of forced liquidation or of crisis resolution measures, said bank may be unable to provide for the performance of contracts entered into with Nexi and, therefore, to fulfil its obligations.

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

Risks Linked to Competition Within Nexi Group's Operations

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

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

On the other hand, the Nexi Group may face increased competition with the entry into the market of new national and international players and the expansion of services by existing competitors. A growing trend in Europe – recently seen also in Italy – involves specific initiatives for individual domestic sectors where successful cloud-based digital Fintech operators (e.g. Klarna) and Neobanks (such as Revolut, N26) try to establish themselves working with "best-in-class" technological partners and adopting advanced digital solutions that respond quickly and flexibly to customer needs, including payment services. Another trend involves companies progressively entering the payments market, and e-commerce operators are also growing rapidly thanks to the spread of digital/online purchases.
The Group is also dealing with competition from international payment companies (such as Adyen and Stripe) that are able to offer vertically integrated services in an omni-channel and cross-country logic. With specific regard to the e-Commerce/m-Commerce sector, the Group finds itself competing with specialised players such as PayPal.

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

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

Risks Linked to the Group's Ability to Attract, Retain and Motivate Skilled Professionals

The Group's 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 in the business segments of the Group, may lead to the reduced Group competitiveness and may affect the Group's ability to reach its goals and implement its strategy, breeding potential adverse impacts on the economic, equity and/or financial activities and position of the Group.

In addition, 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 a broad set of diverse specialist skills 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 merger with Nets and SIA. 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.

Furthermore, the incomplete cultural integration with the acquired companies Nets and SIA or an inadequate organisational structure of the Group after the Mergers could lead to operational inefficiencies, poor reactivity to changes in business scenarios and poor decision-making processes.

Operational Risks

Risks Linked to Personal Data Storage and Processing

In carrying out its activities the Nexi 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, it must therefore 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.

With reference to the Group's ability to collect and use the personal data of current or potential 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 in case of loss of control on these data or following an unauthorised third-party access to such data.

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

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

Any unauthorised use of personal data or any IT security breach stands to damage the Nexi Group's reputation as well as to discourage customers from using digital payments, in general, and the Group's services in particular; also, said uses and breaches may increase period operating expenses as a result of redress of breaches or malfunctions, 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 Italian, European Union and other applicable international rules and regulations, or pursuant to payment scheme contracts. Said uses and breaches may also prejudice the Group's continued participation in credit card issuing partnerships with banks.

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

On a final note, while service contracts of the Nexi Group with all third-party providers - such as entities external to the Group whether engaged in transaction processing, or debt collection, IT, marketing, etc. - that may have access to merchant and consumer data include non-disclosure and privacy and security compliance agreements as standard, the Nexi 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 processing, whether by the Nexi Group or by third parties, may lead to the loss of cardholder data by merchants of the Group and other 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 Group. For the purposes of partly mitigating the prospective adverse impact of this type of risk has secured coverage with leading insurance companies.

Finally, note that following the Covid-19 pandemic, the Nexi Group resorted to hybrid working arrangements for its employees and contractors, alternating working from home with working in the office. The use of teleworking 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 teleworking-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 regard to the Russia/Ukraine conflict, there was no increase in suspicious activities or cyber threats at the group level, but a dedicated task force was nonetheless established in order to: (i) monitor unusual events in all companies, (ii) define preventive measures to be implemented (e.g. offline backup of critical systems, mapping of network connections to warring countries, preparation of filters based on geographical locations, etc.), (iii) co-ordinate with intelligence providers, both national and European. Nexi also has Disaster Recovery and Business Continuity plans and procedures for critical services to be triggered in the event of a crisis.

Operational Risks Related to IT, Communication and Technological Infrastructure (so-called ICT Infrastructure), and to the Malfunction Thereof

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

An especially crucial part of the ICT infrastructure in question are the merchant acquiring and card issuing platforms, whether debit or credit, domestic or international. Said platforms comprise systems tasked with digital payments' authorisation and settlement processing, card issuing and management, payment terminal and 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/services, operability may be compromised by Group or third-party service provider ICT systems damage or malfunctions.

Malfunctions can be caused by migrations to new technological or application environments, in the case of significant changes in the production environment, or by human error, insufficient and incomplete testing, cyber-attacks, unavailability of infrastructure services (e.g. electrical or network connectivity) or natural phenomena (e.g. floods, fires or earthquakes). In this regard, in general, it should be noted that Nexi has been identified as an operator in the financial sector of the systemic sector by the Bank of Italy and for this reason participates in CODISE (structure established in 2003 for the coordination of operational crises in the Italian financial system). This circumstance implies that Nexi itself is required to guarantee the ability to restore its systemic services extremely rapidly in the event of any type of possible malfunction as exemplified above. Such incidents, if not promptly reinstated, could have a practical impact on the availability of ATM cash withdrawals and the ability to process bank transfer transactions.

With particular regard to malfunctions attributable to migrations to new technological or application environments, note that the Nexi Group – due to the integration with the Nets Group and the SIA Group – undertook an extensive process of IT rationalization. Therefore, it will be necessary, among other things, to migrate certain technological systems from the platforms owned by the respective corporate groups to the target platforms identified by the Nexi Group, as an entity resulting from the Mergers.

Nexi has adopted an IT risk management model that is integrated with the operational risk management framework and consistent with the overall system of internal controls. This model is based on the three lines of defence (operational units and second- and third-level control functions) and includes specialised units to counter any critical IT and security issues. Specifically, a unit is dedicated to IT security, which defines strategies to protect systems and information, governs business continuity and security incident management processes and verifies the application of security standards and processes. The infrastructure management unit is responsible for the continuity of IT services, the control and management of IT incidents, the transition of new services, systems, applications and changes into production, and the design, implementation and technical operation of Nexi's technological infrastructures.
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 customer transaction processing reliability. That, in turn, may lead to loss of earnings as well as customers opting for another payment services provider, compensation fees, damage to reputation, additional operating expenses in light of repairs, as well as other losses and liabilities.
Should any of the above circumstances arise, they could have a significant negative impact on the Nexi Group's economic, equity and/or financial position.

Risks Associated with Dependence on Suppliers

In order to conduct its business, the Nexi Group relies on third-party service providers and product suppliers. Its main suppliers include (i) payment processors, (ii) providers of smart cards compliant with the EMV (Europay Mastercard Visa) standard and card personalisation services, including Idemia (formerly Oberthur), a company in the Advent portfolio, (iii) Poynt, SmartPOS provider, for advanced terminals featuring an advanced, flexible Android-based operating system, (iv) suppliers of traditional POS terminals (such as Ingenico Italia) and (v) suppliers of ATMs.

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

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

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

While to date no appreciable issues have arisen in respect of outsourced activities, Nexi Group cannot rule out that outsources may, in future, breach contractual obligations, 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.

Risks Linked to Exposure to Credit/Counterparty Risk

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

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

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

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

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

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

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

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

With regard to the activities arising from the merger with Nets, note that the Nets Sub-Group, also as an acquirer, is exposed to counterparty risk (especially chargebacks) due to its strong presence in sectors with deferred service, e.g. travel and transport.
Note however that the Group has policies in place to manage the risk of non-collection of merchants' receivables, including where necessary requesting bank guarantees or other types of collateral (e.g. rolling reserve, deferred settlement, business damage) in order to mitigate its exposure to credit risk. As regards the risk of non-payment of POS fees and commissions, the exposure to this risk is residual since in almost all cases the Nets Sub-Group applies a net settlement, thus eliminating the credit risk.

Finally, the Nets Sub-Group is exposed to credit risk with respect to the "Buy Now Pay Later" business offered by the company Ratepay and designed for retail customers who are given the opportunity to purchase a product or service and pay for it at a later date or in instalments. The Company pays the merchant up front, thus being exposed to the risk that the consumer will not be able to repay the loan within the agreed terms. With regard to the risks arising from the merger with the SIA Group, note that the latter is marginally exposed to credit risk for its operations and for the management of financial resources and cash.

Risks Linked to Merchant, Cardholder, Supplier or Other Third-Party Fraud

The Nexi Group may incur liabilities and may suffer damages, including reputational ones, related to fraudulent digital payment transactions, fraudulent receivables claimed by merchants or other parties, or fraudulent sales of goods and services, including fraudulent sales by merchants of the Group in the Merchant Services & Solutions and Cards & Digital Payments business lines.
Examples of commercial fraud may include the sale of counterfeit goods, the malicious use of either stolen or counterfeit credit or debit cards, use by merchants or other parties of payment card numbers or of other card details to register a false sale or transaction, the processing of an invalid card, and the malicious failure to deliver goods or services sold within the scope of an otherwise valid transaction.

The parties engaging in criminal counterfeiting and fraud resort to increasingly sophisticated methods. Failure to identify thefts 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. 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 these events may negatively impact profitability and the economic, equity and/or financial position of the Nexi Group.

Compliance Risks

Risks Linked to Continuous Developments in the Regulatory Environment

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

In the normal course of business, the Nexi Group is subject to extensive regulation and supervision by the competent national authorities, including (i) the Bank of Italy for (a) Nexi Payments and SIApay respectively as an electronic money institution and payment institution, and (b) the activities of the former SIA for the supervision of services, technological and network infrastructure for payment systems (the latter in its capacity as systemically important payment system operator, is also subject to supervision by the European Central Bank), as well as (ii) the German, Danish, Finnish and Polish supervisory authorities, each within the scope of their respective jurisdictions, with reference to the regulated companies attributable to the Nets scope.

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 regard to the regulatory scope of anti-money laundering, the Nexi Group works continually to improve controls to counter emerging phenomena, also as a result of new initiatives, including the fine tuning of processes for the management of restrictive measures and international sanctions following the start of the war between Russia and Ukraine.

With reference to the GDPR Regulation, it is worth noting that Nexi Group, in pursuing its activities, processes the personal data of cardholders and merchants, and, as such, is under obligations to comply with data protection and privacy 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 Standards 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 and on fair relations between intermediaries and customers, the Nexi Group continues to implement actions designed to maintain full compliance. Its efforts focus especially on payment services transparency, customer pre-contract information and claims management.

Nexi Group companies are subject to domestic Italian and European competition rules and regulations. To ensure compliance with the latter, the Nexi Group has established an internal "Antitrust Compliance Programme", aimed both at expanding Nexi employee awareness of antitrust rules and regulations and of their impact on Group activities, and at providing guidance as to how to prevent actions, behaviours and any shortcomings that may constitute a violation of said rules and regulations.

As a listed company, Nexi SpA is subject to the entire range of special listing rules, which include but are not limited to the Italian Consolidated Law on Finance, Consob regulations, the EU's MAD II Directive and MAR Regulation, Italian Law 262/2005, as well as the codes of conduct and best practice rules applicable to regulated markets.

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

Note also that Nexi is subject to oversight by the European Central Bank for specific services of the former SIA business, which sets out the oversight requirements for systemically important payment systems. In its relations with institutional customers (such as Central Banks or financial institutions), the Group is indirectly subject to the regulations governing the activities of such customers.

With respect to Nets, note that over the past three years certain companies within the Nets scope have been subject to inspections or administrative proceedings, both of an ordinary nature (mostly) and of an extraordinary nature by competent authorities including the German Federal Financial Supervisory Authority (BaFin), the Danish Financial Supervisory Authority (FSA) and the Polish Financial Supervisory Authority (KNF) in relation to various areas, including anti-money laundering.
Also with regard to Nexi Payments, note that in 2022 the company was subject to an audit by the Bank of Italy with respect to the provisions introduced by PSD2 on unauthorised payment transactions, fraud and disavowals.

Non-compliance risk management is entrusted to the 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 System, the Compliance & AML Function oversees compliance risk management. There are also Subject Matter Experts (SME), namely corporate units tasked with ensuring continuing regulatory compliance in respect of its activities and processes.

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Financial Risks

Risks Linked to Debt Refinancing

The Group has significant financial indebtedness, as described in the section "Changes in Group Debt".

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

At the date of this Report no significant critical issues regarding the Group's funding liquidity risk had been identified, although due consideration was given both to the direct consequences of the economic crisis, initially caused by the Covid-19 pandemic and later the Russia/Ukraine conflict, and to the debt refinancing operations of the group headed by Nets and SIA, following the mergers with these companies.

However, the Nexi Group cannot rule out that at a future date it may have to refinance its debt at due date or that, for whatever reason, it may have to replace its current factoring lines or other credit lines and that this circumstance may 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 this may compromise Group operations.

Risks Related to Interest Rate Fluctuations

As at 30 June 2022, approximately 26% of the Nexi Group's medium-long term Financial Liabilities expressed at nominal value were exposed to sources of funding at a variable interest rate, and specifically to the Euribor index. Nexi periodically monitors the forward curves of the variable rates of reference, paying particular attention to trends relating to the 1/3/6-month Euribor rate, which the Group is primarily exposed to. Also in light of this monitoring – taking into account the maturity of the related payables and the presence of a floor of zero for the Euribor rate applied to the IPO Loan, Term Loan and BBPM Loan – the Nexi Group decided against hedging the interest rate risk at the end of the interim financial statements.

Following Russia's attack on Ukraine, there has been a marked change in the economic picture, especially with regard to inflation, and the way in which the European Central Bank (ECB) is responding to these changes. Inflation has been rising sharply globally for several months as a result of rising energy prices on international markets, especially oil and gas.

In the first few months of this year, the ECB's monetary policy normalization process accelerated: the Board in the meeting of July, decided to raise the reference rates by 50 basis points, while at the same time approving the Transmission Protection Instrument (TPI) measures considered essential by the ECB to ensure a return of inflation to its medium-term 2% target, in line with its mandate to preserve price stability. This was a first step, wider than the previous meeting, in the path of normalisation of reference rates, based on the updated assessment of inflation risks and the increased support provided by the TPI for the effective transmission of monetary policy. A further normalization of interest rates is considered appropriate for the next Board meetings. The future evolution of the reference rates will be guided by the data and by how these will change the ECB's assessment of the outlook for prices in the medium term.

Considering what stated above, it is not possible to exclude that, if significant fluctuations in variable interest rates occur in the future (leading them to be positive) and any risk hedging policies adopted by the Nexi Group are found to be inadequate, an increase in financial charges may occur, with consequent significant impacts on the results and prospects of the Nexi Group itself.

Risks Related to the Rating Assigned to Nexi and its Bond Loans

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

Business Outlook

The conflict in Ukraine and its impact on diplomatic and trade relations inevitably led to a significant slowdown in economic activity, aggravated by rising commodity prices and increasing tensions on consumer prices. Widespread declines in confidence and fragilities in international trade also contributed to the weakening of the economic environment.
According to the latest estimates, GDP growth in the Eurozone is expected to slow down to around 2.5% this year, well below what was predicted only a few months ago. In Italy, Istat forecasts an increase in household expenditures in real terms (approximately +2% compared to +5% in 2021), which would be accompanied by a slight increase in the propensity to consume, but within a framework of high uncertainty. Also in the Nordics, projections for 2022 point to a marked slowdown, starting with Finland due to trade with the Russian market.

In this complex economic scenario, the Group remains committed to the construction of "One Nexi" following the recent strategic transactions with Nets and SIA and the consequent strategic review of the business portfolio with a view to focusing on the reference market.

Taking into account the progress of the integration sites and based on the information available at present, assuming no material changes to the current Covid-19 and macro scenario, the Group expects a cash synergy generation of about Euro 100 million in the financial year and confirms the growth projections for revenues (7-9%, and at least 10% for the Merchant Services & Solutions business unit) and EBITDA (13-16%), as well as the projections of Capex (8-10% of annual revenues), of the reduction of transformation and integration costs (at least 50% compared to 2021) and of the net financial position. For further details, see the same section of the Consolidated Financial Statements for the year ended 31 December 2021.

Finally, work continues on the preparation of the Nexi Group's combined business plan, which will detail medium- and long-term strategic and financial objectives with a view to capturing its full potential for growth and value creation.

Related-Party Transactions

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

Note that 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 the specific section of the Notes to the Interim Financial Statements (section 35 of the Notes), to which reference should be made.

Unusual or Non-Recurring Transactions

No unusual or non-recurring transactions, other than those described under section "Significant Events during the Reporting Period", were carried out in the first half of 2022.

Research & Development

Note that the Group did not undertake any research and development activities in the first half of 2022.

Treasury Shares

In 2021 the parent company Nexi SpA purchased 325,000 treasury shares, which in the same year were partly used in settlement of the share-based remuneration plan (LTI).
The remaining shares as of 30 June 2022, unchanged with respect to 31 December 2021, amount to 282,475 recorded in the financial statements at a value of Euro 4,492,918.78.

At 30 June 2022 no treasury shares of the Nexi Group were held by the other companies of the Group.

Financial Instruments

As well as receivables from operating companies, the Group holds Visa Class C Shares convertible into ordinary shares. Furthermore, the Group issued two convertible bond loans during 2020 and 2021. For further details, see the Notes.

Registered Office

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

Going Concern

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

As far as the Nexi Group is concerned, there were no significant operational or economic impacts resulting from the Russia/Ukraine conflict. However, as per its business continuity procedures, the Group organised a special Group Crisis Management Team in the earliest days of the conflict to closely monitor the evolution of the crisis and to implement the necessary actions to protect the customers and the business. In fact, the areas under continuous monitoring are people, business continuity, cyber risk, business impact and regulatory compliance.

Rating

During the first half of 2022, also as a result of the completion of the merger with SIA, the rating agencies Standard & Poor's and Fitch revised the rating of Nexi SpA and the Bond Loans upwards compared to 31 December 2021.
Nexi SpA ratings at the reporting date are listed in the table below.

	Moody's	**S&P Global Ratings**	**Fitch Ratings**
LT Corporate Family Rating			
LT Issuer Credit Rating	Ba2	BB	BB
LT Issuer Default Rating			
Outlook	Stable	Positive	Stable
Last Review Date	**Jul 8, 2022**	**Jan 4, 2022**	**Feb 16, 2022**

Significant Events after the Reporting Period

On 5 July the closing of the EDIGard AS sale transaction took place, and on 29 July 2022 the Group reached an agreement to increase Nexi's stake in Nexi Payments Greece from 51% to 90.01%.

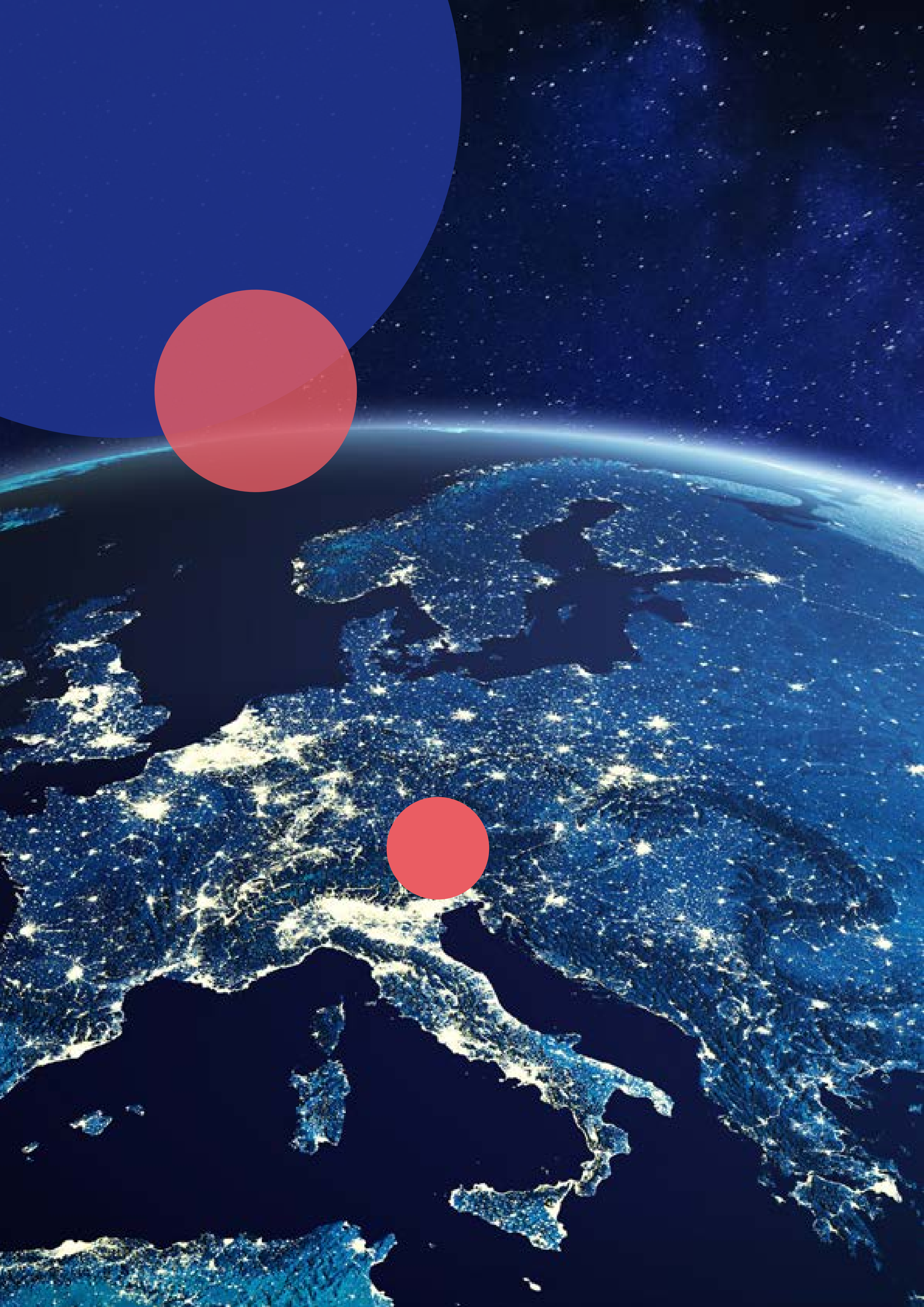
Reconciliation Summary

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

(Amounts in thousand euros)

	Shareholders' equity	Profit for the period
Balance of accounts for Parent Company at June 30, 2022	12,569,219	253,447
Effect of consolidation of subsidiaries	(204,205)	147,096
Effect of measurement at equity method	5,721	4,136
Other adjustments including comprehensive income	(69,212)	-
Dividends collected in the period	-	(315,549)
Balance of consolidated accounts at June 30, 2022	**12,301,523**	**89,130**

Milan, 29 July 2022
The Board of Directors



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CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2.1

Consolidated Interim Financial Statements

CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Amounts in thousand euros)

ASSETS	Notes	June 30, 2022		Dec. 31, 2021 Restated	
Cash and cash equivalents	3		**673,288**		**1,546,116**
Financial assets at Fair Value	4		**89,087**		**74,508**
Financial assets measured at amortised cost:	5		**3,398,878**		**3,398,230**
a) loans and receivables with banks		1,444,626		1,595,782	
b) loans and receivables with financial entities and customers		1,954,252		1,802,448	
Equity investments	6		**42,445**		**63,779**
Tangible assets	7		**533,743**		**549,532**
Intangible assets	8		**17,425,953**		**17,489,859**
of which: Goodwill		13,990,638		13,962,384	
Tax assets	9		**237,228**		**237,740**
a) current		24,218		25,080	
b) deferred		213,010		212,660	
Non-current assets held for sale and discontinued operations	10		**139,477**		**1,790**
Other assets	11		**1,340,624**		**1,275,150**
Total assets			**23,880,723**		**24,636,704**

(Amounts in thousand euros)

LIABILITIES	Notes	June 30, 2022		Dec. 31, 2021 Restated	
Financial liabilities measured at amortised cost	12		**8,982,028**		**9,912,122**
a) due to banks		2,607,034		3,649,309	
b) due to financial entities and customers		1,909,211		1,813,534	
c) securities issued		4,465,783		4,449,279	
Financial liabilities at Fair Value through profit or loss	13		**170,761**		**168,529**
Tax liabilities	9		**816,784**		**742,476**
a) current		129,192		47,571	
b) deferred		687,592		694,905	
Liabilities associated with non-current assets held for sale and discontinued operations	10		**8,866**		**641**
Other liabilities	14		**1,391,086**		**1,284,285**
Post-employment benefits	15		**32,498**		**39,847**
Provisions for risks and charges	16		**160,655**		**180,636**
Share capital	17		**118,583**		**118,452**
Treasury shares (-)	17		**(4,493)**		**(4,493)**
Share premium	17		**11,587,260**		**11,587,260**
Reserves	17		**580,255**		**523,080**
Valuation reserves	17		**(69,212)**		**36,729**
Profit (loss) for the period	18		**89,130**		**37,729**
Equity attributable to non-controlling interests (+/-)	17		**16,522**		**9,411**
Total liabilities and equity			**23,880,723**		**24,636,704**

CONSOLIDATED INCOME STATEMENT
(Amounts in thousand euros)

	Notes		I Half 2022		I Half 2021
Fees for services rendered and commission income	19		2,449,979		918,212
Fees for services received and commission expense	20		(931,556)		(372,719)
Net fee and commission income			**1,518,423**		**545,493**
Interest and similar income	21		26,128		7,536
Interest and similar expense	22		(105,768)		(83,365)
Net interest income			**(79,640)**		**(75,829)**
Profit (loss) on trading activity / hedging/ financial assets and liabilities designated at Fair Value through profit or loss	23		810		(7,158)
Dividends and profit (loss) from investments and sale of assets at Fair Value through other comprehensive income	24		(4,320)		(2,656)
Financial and operating income			**1,435,273**		**459,850**
Administrative expenses	25		(927,734)		(331,339)
Personnel-related costs	*25.1*	*(419,302)*		*(113,893)*	
Other administrative costs	*25.2*	*(508,432)*		*(217,446)*	
Other operating income/expenses, net	26		(2,673)		13,391
Net value adjustments on assets measured at amortised cost	27		(10,976)		(2,360)
Net accruals to provisions for risks and charges	28		14,281		(14,890)
Net value adjustments/write-backs on tangible and intangible assets	29		(349,336)		(87,039)
Operating margin			**158,835**		**37,613**
Profit (loss) from equity investments and disposals of investments	30		4,001		(85)
Profit (loss) before taxes from continuing operations			**162,836**		**37,528**
Income taxes	31		(76,625)		12,379
Income (loss) after tax from discontinued operations	32		4,224		(37)
Profit (loss) for the period			**90,435**		**49,870**
Profit (loss) for the period attributable to the parent company			**89,130**		**48,871**
Profit (loss) for the period attributable to non-controlling interests	33		1,305		999
Basic earnings per share	39		**0.07**		**0.08**
Diluted earnings per share	39		**0.06**		**0.07**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Amounts in thousand euros)

	I Half 2022	I Half 2021
Profit (Loss) for the period	**90,435**	**49,870**
Items that will not be reclassified subsequently to profit or loss		
Equity instruments measured at fair value through other comprehensive income	13,031	9,833
Defined benefit plans	4,053	349
Items that will be reclassified subsequently to profit or loss		
Exchange rate changes	(122,961)	-
Other comprehensive income (net of tax)	**(105,877)**	**10,182**
Total comprehensive income	**(15,442)**	**60,052**
Consolidated comprehensive income attributable to non-controlling interests	1,369	1,001
Consolidated comprehensive income attributable to the parent company	**(16,811)**	**59,051**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Amounts in thousand euros)

	Balance as at January 1, 2022	Change in opening balance	Balance as at January 1, 2022 Restated	Allocation of prior year profit		Changes in the period		2022 Comprehensive income		Shareholders' equity as at June 30, 2022
				Reserves	Dividends	Change in Reserves	Transaction on net equity	Profit (loss) for the period	Other comprehensive income items	
1. Group equity:	**12,315,980**	**(17,223)**	**12,298,757**	**-**	**-**	**19,577**	**-**	**89,130**	**(105,941)**	**12,301,523**
Share capital	118,452		118,452				131			118,583
Tresuary shares	(4,493)		(4,493)							(4,493)
Share premium	11,587,260		11,587,260							11,587,260
Reserves	523,080		523,080	37,729		19,577	(131)			580,255
Valuation reserves	41,448	(4,719)	36,729						(105,941)	(69,212)
Profit for the period	50,233	(12,504)	37,729	(37,729)				89,130		89,130
2. Shareholders' equity attributable to non-controlling interests:	**9,411**	**-**	**9,411**	**-**	**(1,503)**	**7,245**	**-**	**1,305**	**64**	**16,522**
Total shareholders' equity	**12,325,391**	**(17,223)**	**12,308,168**	**-**	**(1,503)**	**26,822**	**-**	**90,435**	**(105,877)**	**12,318,045**

CONSOLIDATED CASH FLOW STATEMENT (INDIRECT METHOD)

(Amounts in thousand euros)

	I Half 2022	I Half 2021
A. OPERATING ACTIVITIES		
1. Operations	**486,299**	**169,082**
Profit for the period	90,435	49,870
Net accrual to provisions for risks and charges and other costs/revenues	(8,075)	11,873
Amortisation, depreciation and net impairment losses on tangible and intangible assets	349,336	87,039
Unpaid taxes, duties and tax assets	60,789	(52,978)
Other adjustments	(6,186)	73,278
2. Cash flows generated/(used) by financial assets	**98,535**	**229,247**
Loans and receivables with banks	223,660	273,130
Loans and receivables with customers	(59,633)	(12,750)
Other assets	(65,492)	(31,133)
3. Cash flows generated/(used) by financial liabilities	**(74,450)**	**(80,526)**
Payables to banks	(158,063)	76,618
Payables to customers	(31,030)	(114,950)
Other liabilities	114,643	(42,194)
Net cash flows generated by operating activities	**510,384**	**317,803**
B. INVESTING ACTIVITIES		
Acquisitions of tangible assets	(50,058)	(54,324)
Acquisitions of intangible assets	(167,489)	(51,558)
Sale/purchase of subsidiaries, business units and other non-current assets	(244,470)	92,586
Net cash flows used in investing activities	**(462,017)**	**(13,296)**
C. FINANCING ACTIVITIES		
Repayment of loans	(923,092)	(4,948)
Dividends (paid)/received	1,897	(1,891)
Issues/purchases of equity instruments	-	(5,169)
Issues of debt instruments and new loans	-	3,082,815
Net cash flows generated/(used) by financing activities	**(921,195)**	**3,070,807**
NET CASH FLOWS GENERATED/(USED) FOR THE PERIOD	**(872,828)**	**3,375,314**
Net cash generated/used during the period	(872,828)	3,375,314
Cash and cash equivalents at the start of the period	1,546,116	159,084
Cash and cash equivalents at the end of the period	**673,288**	**3,534,398**

2.2

Notes to The Consolidated Interim Financial Statements

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Accounting Policies

Basis of preparation

In accordance with the provisions of art. 154 of Legislative Decree no. 58 of February 24, 1998, the Group has prepared these Condensed Consolidated Interim Financial Statements as at June 30, 2022 in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and subject to interpretations by the International Financial Interpretations Committee (IFRIC) and, as such, endorsed by the European Commission and transposed into Italian Law via Legislative Decree 38/2005 pursuant to Regulation (EC) 1606/2002.

The contents of these Condensed Consolidated Interim Financial Statements as at June 30, 2022 were drafted in accordance with IAS 34 Interim financial reporting. Based on paragraph 10 of IAS 34, the Group opted to publish these consolidated interim financial statements in condensed form.
No derogations were made from the IAS/IFRS standards.

The Condensed Consolidated Interim Financial Statements as at June 30, 2022 comprise the Statement of Financial Position, the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Cash Flows and the Notes detailing the criteria employed in preparing said financial statements. The Condensed Consolidated Interim Financial Statements also include the Management Report addressing the Group's operating performance, its economic results and its equity and financial position.
In addition to the amounts for the reporting period, the Financial Statements and Notes present comparative figures as at June 30, 2021 for the income statement and December 31, 2021 for the financial position.
The Condensed Consolidated Interim Financial Statements as at June 30, 2022 are prepared in euros, which is the Company's functional currency.
Unless otherwise specified, figures in the Financial Statements and in the Notes thereto are presented in euro thousands.
As also specified in the Management Report, the measurement criteria are adopted considering the corporate business as a going concern with entries made on an accruals basis, respecting principles of relevance and significance of the accounting information and substance over form. Furthermore, no offsetting 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.

As well as providing all information mandatory pursuant to IFRS and under law, the Management Report and the Notes also provide additional non-mandatory information deemed useful for the purposes of giving a true and fair view. In continuity with what was done during the drafting of the 2021 annual financial statements, also for the purposes of the 2022 interim report, reference was made to the ESMA documents of May 20, 2020 and October 28, 2020 and to the Consob documents of July 16, 2020 and February 16, 2021 relating to the information on the impacts deriving from the Covid-19 pandemic, in addition to Consob warning notice no. 5/21 of April 29, 2021 where it is clarified that the Guidelines on reporting obligations pursuant to Regulation EU 2017/1129 published by ESMA update the previous CESR Recommendations, and consequently from May 5, 2021 the references contained in previous CONSOB communications to the CESR Recommendations are intended to be replaced with the ESMA Guidelines. Account was also taken of the indications contained in the Public Statement "European common enforcement priorities for 2021 annual financial reports" issued by ESMA on October 29, 2021 and the corresponding call for attention by Consob.

Furthermore, with regard to the invasion of Ukraine that began on February 24 by troops of the Russian Federation, reference was made to Consob's announcement of March 18, 2022 for the preparation of the 2022 interim report, which draws the attention of supervised issuers to the impact of the war in Ukraine on inside information and financial reporting, and to Consob's alert 3/22 of May 19, 2022, which incorporates the content of ESMA's Public Statement of May 13, 2022 concerning the effects of Russia's invasion of Ukraine on the 2022 interim financial statements prepared in accordance with IAS 34.

In the first six months of 2022 the Group applied accounting policies consistent with those of the previous year, except for the changes in accounting standards issued by the IASB and effective as of January 1, 2022. Specifically, Commission Regulation (EU) 2021/1080 of June 28, 2021, published in Official Journal L 234/90 on July 2, 2021, adopted certain amendments with respect to International Accounting Standards (IAS) 16, 37 and 41 and International Financial Reporting Standards (IFRS) 1, 3 and 9.
The amendments to the aforesaid standards have not significantly impacted the Group's consolidated interim financial statements.

From January 1, 2023 it will be mandatory to apply "IFRS 17 Insurance Contracts", the amendments to "IAS 1 Presentation of Financial Statements" and the "IFRS Practice Statement 2: Disclosure of Accounting policies" and the amendments to "IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates" following the European Union endorsement.
These amendments are not expected to have significant impacts on the Group's consolidated interim financial statements.
The table below shows the standards for which amendments have been issued but not endorsed yet by the European Union.

IASB Documents	IASB Publication Date
Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date	23/01/2020 – 15/07/2020
Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single transaction	07/05/2021
Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information	09/12/2021

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

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

Contents of the financial statements

Statement of Financial Position and Income Statement

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

Statement of Comprehensive Income

The Statement of Comprehensive Income, starting from the profit (loss) for the period, presents income items recognised as balancing entries of the valuation reserves, net of the related tax effects, in compliance with the international accounting standards.

Statement of Changes in Equity

The Statement of Changes in Equity shows the changes to equity items 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" components included in the Bond Loans issued, net of the direct transaction costs, increase 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.

Contents of the Notes

The Notes provide information deemed necessary to give a true and fair view of the financial position, financial performance and cash flows.

The measurement criteria described below were adopted to determine all information presented in these Consolidated Interim Financial Statements.

Consolidation criteria

The Group has established the consolidation scope in accordance with IFRS 10 Consolidated financial statements. Accordingly, the principle of control underpins consolidation of all types of entities and applies when an investor concurrently:
- has power over the entity;
- is exposed or has rights to variable returns arising from its involvement with the entity;
- has the ability to use its power over the entity to affect the amount of its returns.

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

In the context of the Nexi Group, all the consolidated entities are mainly 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 following were used to prepare the Consolidated Interim Financial Statements as at June 30, 2022: i) the separate financial statements of the parent Nexi SpA and ii) the accounting results as at June 30, 2022, approved by the competent bodies and functions of the other fully consolidated companies.

Subsidiaries have been consolidated by recognising all the assets, liabilities, revenue and costs on a line-by-line basis of the Statement of Financial Position and Income Statement aggregates of the financial statements of subsidiaries. To this end, the following adjustments were made:
the carrying amount of equity investments in the in-scope subsidiaries and the parent's share of their equity have been eliminated; recognising the equity and profits or losses of non-controlling interests in the period 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 under "Intangible Assets" at the date of first consolidation. Any negative differences are recognised in the Income Statement.
Intragroup assets and liabilities, off-statement of financial position transactions, income and expenses, as well as profits and losses are eliminated.
Revenue and costs of the subsidiaries are included in the consolidated financial statements from their acquisition date. Revenue and costs of a subsidiary that is sold are included in the Income Statement up to the sales date, at which time the parent ceases to control the subsidiary.
Pursuant to IAS 28, the Group's Consolidated Interim Financial Statements also include the results of investments in associates, i.e. entities over which the Group has significant influence and the power to participate in directing their financial and operating policies without having control or joint control. Such equity investments are measured using the equity method which entails the initial recognition of the investment at cost and its subsequent adjustment based on the Group's share of the investee's equity. The Group's share of the associate's profit or loss for the period is recognised separately in the consolidated Income Statement.

The difference between the investment's carrying amount and the Group's share of its equity is included in the investment's carrying amount.

If there is indication of impairment, the Group estimates the investment's recoverable amount, considering the discounted future cash flows that the investee may generate, including the investment's costs to sell. When the recoverable amount is less than the investment's carrying amount, the difference is recognised in the Income Statement.
At the reporting date the Nexi Group is not party to any joint arrangements that would fall under IFRS 11 definitions of joint ventures (co-venturers having rights to the arrangement's net assets).
All the assets and liabilities of the subsidiaries that prepare their financial statements in currency other than the euro (so-called foreign operations) and that fall within the consolidation scope are translated using the exchange rates in force at the reporting date (current exchange method), while the related revenues and costs are translated at the average exchange rates for the period. The translation exchange differences resulting from the application of this method are classified in equity until the equity investment is disposed of in full or when the investee ceases to qualify as a subsidiary. On partial disposal, without loss of control, the portion of exchange rate differences relating to the portion of the equity investment disposed of is allocated to equity attributable to non-controlling interests. In preparing the consolidated statement of cash flows, the cash flows of consolidated foreign companies expressed in currencies other than the euro are translated using the average exchange rates for the period. Goodwill and fair value adjustments generated when allocating the purchase cost of a foreign company are recognised in the related currency and are translated using the closing rate.

Investments in subsidiaries

The following table shows the Nexi Group's scope as at June 30, 2022:

Company	Structure	Currency	Investor	Ownership %	Registered Office
Nexi Payments S.p.A (*)	subsidiary	*EUR*	Nexi SpA	99,48	Milan, Italy
Nexi Payments Greece S.A. (*)	subsidiary	EUR	Nexi SpA	51	Athens, Greece
Mercury Payment Services S.p.A	subsidiary	EUR	Nexi SpA	100	Milan, Italy
Help Line S.p.A.	subsidiary	EUR	Nexi SpA	69,24	Milan, Italy
Help Line S.p.A.	subsidiary	EUR	Nexi Payments SpA	1,06	Milan, Italy
Orbital Cultura Srl (ex Bassmart)	subsidiary	EUR	Nexi Payments SpA	95	Florence, Italy
Service HUB S.p.A.	subsidiary	EUR	Nexi SpA	100	Milan, Italy
SIApay S.r.l.	subsidiary	EUR	Nexi SpA	100	Milan, Italy
SIA Central Europe, a.s.	subsidiary	EUR	Nexi SpA	100	Bratislava, Slovakia
Nexi Greece Single Member SA	subsidiary	EUR	Nexi SpA	100	Athens, Greece
PforCards GmbH	subsidiary	EUR	Nexi SpA	100	Wien, Austria
SIA RS d.o.o. Beograd	subsidiary	RSD	SIA Central Europe a.s.	100	Beograd, Serbia
SIA Croatia d.o.o.	subsidiary	HRK	SIA Central Europe a.s.	100	Zagreb, Croatia
SIA Czech Republic, s.r.o.	subsidiary	CZK	SIA Central Europe a.s.	100	Prague, Czech Republic
SIA Romania Payment Technologies S.r.l.	subsidiary	RON	SIA Central Europe a.s.	100	Bucharest, Romania
SIA Payment Services s.r.o.	subsidiary	EUR	SIA Central Europe a.s.	100	Bratislava, Slovakia
Nets US LLC	subsidiary	USD	Nexi SpA	100	Delaware, USA
Nets Topco 3 Sarl	subsidiary	DKK	Nexi SpA	100	Luxembourg
BillBird S.A. (*)	subsidiary	PLN	Centrum Rozliczen Elektronicznych Polskie ePlatnosci S.A.	100	Krakow, Poland
Centrum Rozliczen Elektronicznych Polskie ePlatnosci S.A.	subsidiary	PLN	Rementi Investments S.A.	100	Tajęcina, Poland
Checkout Finland Oy (*)	subsidiary	EUR	Paytrail Oyj	100	Tampere, Finland
Concardis GmbH	subsidiary	EUR	Concardis Holding GmbH	100	Eschborn, Germany
Concardis Austria GmbH	subsidiary	EUR	Concardis GmbH	100	Vösedorf, Austria
Concardis Holding GmbH	subsidiary	EUR	Evergood Germany 1 GmbH	100	Eschborn, Germany
CPG Sales GmbH	subsidiary	EUR	Concardis Holding GmbH	100	Köln, Germany
CPG Service GmbH	subsidiary	EUR	Concardis Holding GmbH	100	Köln, Germany
eCard S.A. (*)	subsidiary	PLN	P24 Dotcard Sp. z o.o.	100	Warszawa, Poland
EDIGard AS	subsidiary	NOK	Nets Denmark A/S	100	Kristiansand, Norway
GfliB Wireless GmbH	subsidiary	EUR	Ordebird AG	98,15	Berlin, Germany
Orderbird GmbH	subsidiary	EUR	Ordebird AG	98,15	Wien, Austria
Evergood Germany 1 GmbH	subsidiary	EUR	Nets Topco 3 Sarl	100	Eschborn, Germany
ITP Baltic SIA	subsidiary	EUR	EDIGard AS	100	Ventspils, Latvia
Nassa Topco AS	subsidiary	DKK	Nets A/S	100	Oslo, Norway
Nets A/S	subsidiary	EUR	Nets Holdco 5 AS	100	Ballerup, Denmark
Nets Cards Processing A/S	subsidiary	DKK	Nets Denmark A/S	100	Ballerup, Denmark
Nets CEE d.o.o. (Croatia)	subsidiary	HRK	Concardis Holding GmbH	100	Zagreb, Croatia

Company	Structure	Currency	Investor	Ownership %	Registered Office
Nets CEE d.o.o. (Slovenia)	subsidiary	EUR	Nets CEE d.o.o. (Croatia)	100	Ljubljana, Slovenia
Nets DanID A/S	subsidiary	DKK	Nets Denmark A/S	100	Ballerup, Denmark
Nets Denmark A/S (*)	subsidiary	DKK	Nets Holding A/S	100	Ballerup, Denmark
Nets Estonia AS	subsidiary	EUR	Nets Denmark A/S	100	Tallinn, Estonia
Nets Holdco 1 ApS	subsidiary	DKK	Nets Topco 3 Sarl	100	Ballerup, Denmark
Nets Holdco 5 AS	subsidiary	DKK	Nets Holdco 1 ApS	100	Oslo, Norway
Nets Sweden AB	subsidiary	SEK	Nets Denmark A/S	100	Stockholm, Sweden
Nets Schweiz AG	subsidiary	CHF	Concardis GmbH	100	Wallisellen, Switzerland
Ordebird AG	subsidiary	EUR	Concardis GmbH	98,15	Berlin, Germany
Paytech Payment Provider Gmbh	subsidiary	EUR	Concardis GmbH	100	Eschborn, Germany
P24 Dotcard Sp. z o.o.	subsidiary	PLN	Nets Denmark A/S	100	Poznań, Poland
PayPro S.A. (*)	subsidiary	PLN	P24 Dotcard Sp. z o.o.	100	Poznań, Poland
Paytrail Oyj (*)	subsidiary	EUR	Nets Denmark A/S	100	Jyväskylä, Finland
Paytrail Technology Oy	subsidiary	EUR	Paytrail Oyj	100	Jyväskylä, Finland
Polskie e Platnosci Sp. z o.o. (*)	subsidiary	PLN	Centrum Rozliczen Elektronicznych Polskie ePlatnosci S.A.	100	Warszawa, Poland
Poplatek Oy	subsidiary	EUR	Nets Denmark A/S	100	Espoo, Finland
Poplatek Payments Oy	subsidiary	EUR	Nets Denmark A/S	100	Espoo, Finland
Ratepay GmbH (*)	subsidiary	EUR	Concardis Holding GmbH	100	Berlin, Germany
Rementi Investments S.A.	subsidiary	PLN	Nets Denmark A/S	100	Warszawa, Poland
Signaturgruppen A/S	subsidiary	DKK	Nets Denmark A/S	100	Aarhus, Denmark
Storebox ApS	subsidiary	DKK	Nets Denmark A/S	100	Copenhagen, Denmark
TopCard Sp. z o.o.	subsidiary	PLN	Centrum Rozliczen Elektronicznych Polskie ePlatnosci S.A.	100	Tajęcina, Poland

(*) = company conducting regulated activities subject to local supervisory regulations.

The consolidation scope of the Condensed Consolidated Interim Financial Statements of the Nexi Group as at June 30, 2022 as well as the above companies (consolidated on a line-by-line basis), includes the following companies measured, given the stakes and/or relevance, according to the equity method:

Company	Structure	Currency	Investor	Ownership %	Registered Office
Rs Records Store S.p.A. in liquidazione	significant influence/joint control	EUR	Nexi Payments SpA	30	Genova, Italy
ATS S.p.A.	significant influence/joint control	EUR	Nexi SpA	30	Milan, Italy
e-Boks Development A/S	significant influence/joint control	DKK	e-Boks Group A/S	50	Hellerup, Denmark
e-Boks GCC ApS	significant influence/joint control	DKK	e-Boks International A/S	50	Hellerup, Denmark
e-Boks Group A/S	significant influence/joint control	DKK	Nets Denmark A/S	50	Hellerup, Denmark
e-Boks International A/S	significant influence/joint control	DKK	e-Boks Group A/S	50	Hellerup, Denmark
e-Boks Nordic A/S	significant influence/joint control	DKK	e-Boks Group A/S	50	Hellerup, Denmark
WEAT Electronic Datenservice GmbH (*)	significant influence/joint control	EUR	Concardis GmbH	40	Düsseldorf, Germany
Nexi Digital	significant influence/joint control	EUR	Nexi SpA	49	Bari, Italy
Nexi Digital Polska sp z o.o.	significant influence/joint control	PLN	Nexi SpA	49	Warsaw, Poland

(*) = company conducting regulated activities subject to local supervisory regulations.

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

As for significant restrictions applicable to the transfer of resources within the Nexi Group, some group companies, as specified in the relevant section, are subject to prudential rules under supervisory regulations. The ability of these companies to distribute capital or dividends is, therefore, subject to compliance with the relevant provisions on capital requirements.
Conversely, there are no significant limitations or restrictions to the exercise of voting rights held in subsidiaries.

Other information

There are no financial statements of subsidiaries used in preparing the Condensed Consolidated Interim Financial Statements with a reporting date other than that of the Condensed Consolidated Interim Financial Statements.
At the reporting date, no other undertakings connected to investments in associates 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 the reporting date, this category only includes equity instruments other than those held for trading and which the Group has opted to measure at FVTOCI. In fact, the non-derivative financial assets held within the scope of the "Held to Collect and Sell" business model do not have a balance at the reporting date as they are sold on a daily basis as part of a factoring contract.

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 the Group changes its 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 FVPL"). The transfer value, which is applied prospectively from the reclassification date, is recognised as the fair value at the 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 gain 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 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 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 in the profit or loss for the period, any impairment loss and any profit or loss from their sale are not recognised in profit or loss.

Derecognition criteria

Financial assets or parts of such assets are derecognised whenever the contractual rights to cash flows expire or are transferred, essentially transferring all the related risks and rewards. More specifically, transferred financial assets are derecognised when the entity retains the contractual rights to receive the assets' cash flows but concurrently assumes an obligation to pay these – and only these – cash flows to third parties without significant delay.
Where derecognition is applied to receivables transferred within the scope of non-recourse factoring contracts, the result of disposals, which is equal to the difference between the carrying amount and the price of sale, is recognised under "Dividends and profit/loss from the investment and sale of financial 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 (including those deriving from the "pay later" solution), their bank accounts, including positions towards international card schemes. Under IFRS 9 general requirements on the reclassification of financial assets, 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 the other two categories designated by IFRS 9 (i.e. "Financial assets at fair value through OCI" or "Financial assets at FVPL"). The transfer value, which is applied prospectively from the reclassification date, is recognised as the fair value at the time of reclassification. Gains or losses generated by the difference between the amortised cost of financial assets and their fair value are recognised either in profit or loss, where the assets are reclassified as "Financial assets at FVTPL", or in 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

After initial recognition, assets included in this item are measured at amortised cost using the effective interest rate method.
"Financial assets measured at amortised cost" are tested for impairment at each reporting date. The impairment rules described below also apply to loan commitments and financial guarantee contracts.

Impairment is calculated considering the financial asset's expected credit losses. For the financial receivables, application of the related impairment method requires classification of the financial assets according to three stages, depending on whether any significant increase in credit risk has occurred as of initial recognition. For each stage a different method of measuring impairment is used based on the expected loss in the 12 subsequent months for receivables in Stage 1 (performing financial instruments that have not seen a significant increase in credit risk) and on lifetime expected losses of receivables classified in Stage 2 and Stage 3 (including performing financial instruments that have seen an increase in credit risk and bad financial assets, respectively). Given the specific features of the Group's credits portfolio, the expected 12-month loss is itself the expected lifetime loss.

Regarding the trade receivables under this item, mainly consisting of merchant fees charged to the merchants, the Group resorted to the possibility of implementing the "simplified approach provided for by IFRS 9" which consists in measuring the depreciation of performing loans based on the expected lifetime losses, with no need to distinguish between Stage 1 and Stage 2.
With respect to impairment:
- the Group defined the methods to monitor changes in credit quality of its financial assets at amortised cost and at FVOCI;
- since the IFRS definition of exposures at default is now aligned with the regulatory definition, the approach used to classify exposures as credit-impaired, which are now allocated to stage 3, has not changed.

The Group considers historical information and all the information available at the reporting date, including forward-looking information on the potential worsening in the historical losses.

Impairment losses are recognised in profit or loss as net impairment losses.

An entity recognises an impairment gain on credit-impaired debt instruments when the reasons for the impairment no longer exist and the gain is objectively related to an event that took place after recognition of the impairment loss. Impairment gains are recognised in 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 through the income statement or the portfolio of financial instruments measured at fair value through comprehensive income.

Tangible assets

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. Recognition takes place 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: 33 years maximum;
- electronic office machines: 5 years;

Physical ATMs and POSs, classified as electronic equipment, are respectively depreciated over 3 and 7 years, as this period is considered representative of the useful life of the assets.
Land is not depreciated insofar as it has an undefined useful life, and artistic heritage is not depreciated insofar as the useful life cannot be estimated and its value normally increases over time.
The rights of use recognised in accordance with IFRS 16 are depreciated over a period equal to the lesser of the asset's useful life and the term of the lease contract.
At each reporting date, the Group weighs up whether or not there is any indication showing that property, equipment, investment property and rights of use may have suffered a loss in value. If there is evidence of any such loss, the carrying amount is compared with the recoverable value, intended as the greater of fair value and value in use.

Derecognition criteria

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

Intangible assets

Classification criteria

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

Recognition criteria

Intangible assets are recognised at the cost of acquisition when the main risks and benefits connected with the asset are transferred, but only if it is likely that the related future economic benefits will be realised and if the cost can be reliably measured. If not, the cost is recognised in profit or loss when 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.
Finally for the brand, recorded with reference to the business combinations, the fair value was estimated using the 'royalty relief' method.

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 relationships: approximately 20 years;
- Brand: 5 years.

The residual value of the various assets is assumed as equal to zero.
The Group tests the intangible 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, 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 recoverable value of an asset or CGU is the greater of its value in use ("VIU") and its fair value less costs of disposal ("FVLCD"). A loss of value is recognised if the carrying amount of the CGU exceeds its recoverable value. Impairment of goodwill is recognised on the consolidated income statement and not restored in 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 less costs of disposal. Income and expenses (net of the tax effect) attributable to groups of assets held for disposal or recognised as such during the period, are presented in the Income Statement in a separate item.

Other assets

Other assets essentially include items awaiting arrangement and items that cannot be traced to other items of the Statement of Financial Position, including receivables deriving from the supply of non-financial goods and services (net of depreciation funds determined based on seniority), tax items other than those recognised under own item (for example connected with the activity of tax substitute), accrued income other than that capitalised on the related financial assets, including that deriving from contracts with customers in accordance with IFRS 15, paragraphs 116 et seq. and costs incurred to fulfil contracts with customers as envisaged by paragraphs 91 et seq. of IFRS 15. The item also includes inventories related to 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, if any, are recognised if the fair value minus the selling costs is lower than the carrying amount.

Current and deferred tax

The provisions made for income tax are determined on the basis of a forecast of the current, prepaid and deferred tax expense. Current tax expenses, determined on the basis of the "tax consolidation", not yet paid as at the reporting date, in full or in part, is included amongst the tax liabilities on the Statement of Financial Position. If the payment of current tax expenses for the period or current tax expenses for the previous years has exceeded the related tax liability, the surplus is recognised in the Statement of Financial Position, under "Tax assets - a) current".
Current and deferred tax expenses are recognised in profit or loss under "Income taxes for the period" with the exception of those relating to profit or loss recognised 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 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 temporary differences.
Deferred tax assets and liabilities are determined using the tax rates expected to be applied in the period 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 liabilities. This item also includes the "debt" component of the convertible bond loans issued.

Recognition criteria

Payables are recognised as at the date on which the contract is signed, which normally coincides with the time when the amounts collected are received and debt instruments issued.
Financial liabilities are initially measured at fair value, which normally coincides with the amount collected or issue price, plus the directly related costs/income. Internal administrative costs are excluded. Lease liabilities are initially recognised at the present 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 June 30, 2022, the "Financial liabilities measured at FVTPL" comprise the contingent consideration deriving from the Purchase Price Allocation (PPA) process of the acquiring books and the option separated from the Convertible Bond Loan issued in 2021 which was classified under this item since at the time the Shareholders had not yet met to approve the related share capital increase.

All the items included in this caption are measured at fair value with the allocation of the result of the measurement to the Income Statement.

Fair value is determined based on the criteria set out in the "Fair value Disclosure" section.

Share-based payments

Staff share-based remuneration plans are recognised in the Income Statement with a corresponding increase in equity, on the basis of the fair value of the financial instruments attributed at the assignment date, breaking up the expense throughout the plan period.

If options are present, their fair value is determined using a valuation technique that takes into account the specific terms and conditions of the stock option plan in place, in addition to information such as the exercise price and the life of the option, the current price of underlying shares, the expected volatility of the share price, dividends expected on the shares and the risk-free interest rate for the life of the option. The measurement model measures, separately, the option and the probability of fulfilment of the conditions on which basis the options have been assigned. The combination of the two values is the fair value of the stock option. Any reduction in the number of financial instruments assigned is recognised as the cancellation of a portion of such.

Employee benefits

Employee benefits are all types of remuneration disbursed by the company in exchange for the work of employees. Employee benefits are divided up into:
- short-term benefits (other than benefits due to employees for the termination of the contract of employment and remunerative benefits in the form of a share in the capital), expected to be paid in full within twelve months of the end of the period during which the employees worked and recorded fully on the Income Statement at the time they are accrued (this category includes, for example, wages, salaries and "extraordinary" services);
- 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 post-employment benefits 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 after the end of the period in which the employees worked.

Post-employment benefits

Post-employment benefits are a form of deferred staff remuneration paid at the end of the contract of employment. They accrue proportionally to the duration of the contract and is an additional element of the payroll costs.
As payment is certain, but when it will be made is not, just like for defined benefits plans, they are classified as a post-employment benefit ("TFR").

Following the complementary welfare reform, as per Italian Legislative Decree 252 of December 5, 2005, portions of post-employment benefits 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).
Post-employment benefits, accrued as at December 31, 2006, instead continue 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 in profit or loss.

Provisions for risks and charges

Provisions for risks and charges include all provisions made in relation to present 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 reporting date, the provisions made are periodically reviewed, and if the incurrence of possible expenses should become unlikely the provisions are entirely or partially released to the Income Statement. When the effect of the time value of money is material, the amount of the provision is discounted at current market rates. The provision is recognised on the income statement.

Foreign currency transactions

Initial recognition

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

Subsequent recognition

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

Exchange differences relative to monetary items are recognised in profit or loss when they arise; those relating to non-monetary items are entered as equity or in profit or 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 in force at the time of booking or, if being accrued, at the exchange rate in force at the reporting date.

Other information

Income Statement

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

Other fees for services rendered and commission income

Commission income other than that included in the amortised cost and other fees for services provided are recognised when the obligation of the provision is satisfied, transferring the service to the customer or when all the following conditions are met:

- the contract with the customer has 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 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 contained in the contract have been satisfied;
- goods and services must be effectively transferred to the customer.

Additionally, in with IFRS 15, the service is transferred to the customer and, therefore, revenues can be recognised:

- at a specific moment in time, when the entity fulfils the performance obligation, transferring the good or service promised to the customer, or
- over time, gradually, as the entity fulfils the performance obligation, transferring the good or service promised to the customer.

The asset is transferred when, or during the period in which, the customer acquires control. 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 recognised in the income statement according to the credit card validity date;
- commission income from merchants and systems are recognised in the income statement on the basis of the date on which the charges were negotiated
- by the holders;
- up-front revenues connected with the start of new customers, new products, are recorded throughout the expected term of the contracts;
- revenues for design activities specifically requested by customers are recognised during development (overtime)
- if any of the following conditions apply:
  a. the customer simultaneously receives and uses the benefits deriving from the provision, as it is made;
  b. the provision is provided on the customer's assets;
  c. the asset produced has no alternative uses and Nexi has the right to be paid for the work carried out up to that point; if not, the costs and revenues of the project are suspended and recorded at the end of the design phase;
- the revenues connected with recurring services (mainly maintenance and rental of POSs and ATMs and processing services) are split in a linear fashion throughout the contract term.

Furthermore, in application of IFRS 15, the value of the commission is adjusted in order to take the fair value of the premiums connected with the Loyalty program into account. The fair value of the catalogue is calculated as the average unitary value of the points with respect to the market value of the premiums, including VAT and delivery expenses, so as to link the fair value to the value perceived by the customer. The unit fair value is applied to the number of points in circulation, net of the points that, on the basis of the analysis performed, are expected not to be redeemed (on the basis of the redemption estimates). Deferred commission is recognised in the Income Statement according to point redemption.

Commissions considered in the amortised cost to calculate the effective interest rate are excluded, as they are recognised among interest.

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 customer (such as, for example, costs for the emission of cards and ICT services incurred during the start-up of new customers/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 reporting 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.
Specifically, while it has identified several CGUs, the Nexi Group attributes them to a single operating segment, namely e-money and technology services related to the payments sector.
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, is prepared exclusively on a consolidated basis.

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 ("PPA").
According to IFRS 3, an acquirer is identified for all business combinations. The acquirer is the entity that obtains control over another entity, which is the power to determine the financial and management policies of that entity in order to receive benefits from its activities.

The consideration transferred in a business combination is equal to the fair value, at the acquisition date, of the assets sold, the liabilities incurred and the equity instruments issued by the acquirer in exchange for obtaining control of the acquiree. The consideration that the acquirer transfers in exchange for the acquired entity includes any assets and liabilities resulting from an agreement on the "contingent consideration", to be recognised on the acquisition date on the basis of fair value.
Based on the purchase method, at the acquisition date, the acquirer must allocate the cost of the combination (so-called PPA) 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 Interim Financial Statements

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

The estimates and relevant assumptions are based on previous experiences and take due account of all the information available at the reporting date. Such processes are largely based on estimates of future recoverability of the recognised amounts according to the rules provided for by the current laws and have been implemented with a view to business 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 financial statements 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 and the impacts of the invasion of Ukraine on February 24 by Russian troops, further detailed within the relevant section of the Management Report and these notes.

In that respect, it is noted that an estimate can be adjusted following changes to the circumstances on which it was based or new information or even additional experience. Any change to the estimate is applied prospectively and therefore impacts the Income Statement of the period in which the change is made and, potentially, those of future years.
While stressing that the use of reasonable estimates is key when drafting financial statements, without this factor being held to affect their reliability, below are the items in which the use of estimates and assumptions is most significant, both in terms of the materiality of the values to be recognised in the balance sheet and impacted by such policies, and in terms of the complexity of the measurements, which entails the resorting to estimates and assumptions by Corporate Management:
- valuation of the financial assets and liabilities measured at fair value not listed on active markets and of share-based payments;
- fair value measurement of assets and liabilities within the PPA processes carried out with regard to business combinations as described in the specific section;
- measurement of the financial assets measured at amortised cost and loan commitments;
- measurement of intangible assets, including goodwill and the relevant PPA process;
- measurement and estimated useful life of property, equipment and investment property;
- quantification of provisions for risks and charges and payables for Loyalty programmes;
- quantification of deferred taxation.

Events after the reporting date

After the reporting date, no significant events have taken place over and above those described in the Management Report.

Transfers between portfolios of financial assets

No transfers of financial assets between portfolios occurred.

Fair value disclosure

The IAS/IFRS require the fair value measurement for financial products classified as "Financial assets at FVTOCI" and "Financial assets at FVTPL".

IFRS 13 regulates fair value measurement and related disclosure.

More specifically, 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 inputs 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 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 adjusted to include the credit risk;
- for variable rate, on demand assets or those with short-term maturities: the carrying amount recognised net of the analytical and collective impairment is considered a good approximation of the fair value, insofar as it incorporates the change in rates and the change in the counterparty's credit risk;
- for variable rate and short-term fixed rate liabilities: the carrying amount is considered a good approximation of the fair value, for the reasons given above.

Qualitative disclosure

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

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

Assets and Liabilities measured at Fair Value on a recurring basis

At the reporting date, the following instruments are in place, measured at fair value:
- Preferred Class C Visa Shares: these are measured according to the market value of Visa Inc class A shares, listed on active markets where the portfolio shares (class C) will be converted, adjusting the value to reflect both the liquidity risk of class C shares and the potential adjustments to the conversion ratio, as communicated by Visa under the specific section of the company's website, which varies depending on potential future liabilities of Visa Europe, a company that has been merged into Visa Inc US. Share-based payments: the Group has implemented remuneration plans similar to share-based payments. This adjustment was not applied with respect to the Class C Shares, for which notice of forthcoming conversion into Visa Preferred Class A Shares was received at a now finalised exchange ratio.
- Contingent consideration: fair value is the present 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 instruments not measured at Fair Value (FV), including loans and receivables with customers 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 statements or on profit and loss. Furthermore, since these assets are not generally traded, the calculation of fair value is based on the use of internal inputs not directly observable on the market, as defined under IFRS 13.
- Cash and cash equivalents: given their short-term nature and their negligible credit risk, the carrying amount of cash and cash equivalents is practically equal to the fair value.

- Financial assets measured at amortised cost: for variable rate, on demand assets or those with short-term maturities, the carrying amount recognised net of the analytical and collective impairment is considered a good approximation of the fair value, insofar as it incorporates the change in rates and the change in the counterparty's credit risk. Investment property: the fair value of investment property is determined on the basis of a measurement made by independent experts holding duly acknowledged and pertinent professional expertise, who conduct their measurement mainly on the basis of an indirect knowledge of assets through the information made available by the holders with reference to property location, consistency, venue use, and in view of market analyses.
- Financial liabilities measured at amortised cost: the carrying amount is considered to approximately be equivalent to fair value for variable and fixed rate, short term liabilities. As for debt instruments issued, fair value is calculated based on active markets where liabilities have been traded.

Measurement process and sensitivity

Not applicable due to the absence of level 3 instruments.

Fair value hierarchy

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

Information on "day-one profit or loss"

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

2. Statement of Financial Position

(Amounts in Euro thousand)

ASSETS

3. Cash and cash equivalents

	June 30, 2022	Dec. 31, 2021
a) Cash	59	53
b) Deposits and current accounts	673,229	1,546,063
Total	**673,288**	**1,546,116**

"Deposits and current accounts" refer to the liquid funds in the current accounts of Nexi SpA.
The change in the item is mainly attributable to the cash resulting from the repayment of the former-SIA funding at the beginning of 2022. The item also includes the effects deriving from the collection of dividends from subsidiaries, from the interest expense for the financing obtained and from the other expenses incurred during the period.
"Deposits and current accounts" are included in the Net Financial Position.

4. Financial assets at Fair Value

4.1 BREAKDOWN OF FINANCIAL ASSETS MEASURED AT FAIR VALUE

	June 30, 2022	Dec. 31, 2021
Financial assets measured at Fair Value through profit or loss	3,981	3,322
Financial assets measured at Fair Value through OCI	85,106	71,186
Total	**89,087**	**74,508**

4.2 BREAKDOWN OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2022	Dec. 31, 2021
Financial assets held for trading	-	-
Financial assets measured at Fair Value	3,981	3,322
Other financial assets mandatorily valued at Fair Value	-	-
Total	**3,981**	**3,322**

"Financial assets measured at fair value through profit or loss" include Euro 1.5 million of fair value of Visa Shares held through the Nets Sub-Group and related to Financial liabilities measured at fair value, as well as other minor investments in equity instruments that do not confer any influence on the investee.

4.3 BREAKDOWN BY PRODUCT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	June 30, 2022	Dec. 31, 2021
Debt instruments	-	-
Equity instruments	85,106	71,186
Financing	-	-
Total	**85,106**	**71,186**

4.4 BREAKDOWN OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	June 30, 2022	Dec. 31, 2021
a) Banks	41	41
b) Financial institutions	84,453	70,533
- Visa Inc.	*84,409*	*70,489*
- Other financial companies	*44*	*44*
c) Non-financial institutions	612	612
Total	**85,106**	**71,186**

"Financial assets at fair value through OCI" mainly refer to Visa Inc Class C Shares held by the Group's operating companies over which the Group does not exercise control, joint control or significant influence. Specifically, the item consists of Visa Series C Shares eligible for conversion into Visa Series A ordinary Shares at a variable conversion rate dependent on expenses arising from contingent liabilities associated with the former Visa Europe. Notice was received of the partial conversion of approximately 50% of the shares held into Visa Preferred Class A shares immediately available for sale in the market.

5. Financial assets measured at amortised cost

5.1 LOANS AND RECEIVABLES WITH BANKS: BREAKDOWN BY PRODUCT

	June 30, 2022					Dec. 31, 2021				
	Carrying amount		Fair Value			Carrying amount		Fair Value		
	Stages 1 & 2	Stage 3	Level 1	Level 2	Level 3	Stages 1 & 2	Stage 3	Level 1	Level 2	Level 3
Loans and receivables with banks										
Deposits and current accounts	1,154,996	-	-	1,154,996	-	1,426,610	-	-	1,426,610	-
Prepaid cards liquidity	47,538	-	-	47,538	-	49,474	-	-	49,474	-
Restricted deposits	144,665	-	-	144,665	-	119,295	-	-	119,295	-
Other assets	97,427	-	-	97,427	-	403	-	-	403	-
Total	**1,444,626**	**-**	**-**	**1,444,626**	**-**	**1,595,782**	**-**	**-**	**1,595,782**	**-**

The current account balance includes the daily settlement balance of transactions processed by the Group on behalf of Intesa Sanpaolo and the liquidity at the level of the operating entities only.

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

"Time deposits" include the escrow accounts connected with the Nexi Payments factoring transactions on the balances of credit cards (Euro 3.1 million) as well as Euro 72 million in deposits to guarantee deferred payments made to merchants as part of the acquiring activity. A Euro 0.5 million pledge in favour of the factoring company is attached to said restricted accounts. The item also includes time deposits related to the operations of the Nets Sub-Group (amounting to Euro 94 million). This item also includes the escrow accounts related to the 'Buy Now Pay Later' business in the amount of approximately Euro 69 million.

The total of the item includes Euro 659 million of liquidity in the operating companies' bank accounts, which has been included in the Group's Net Financial Position.

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

	June 30, 2022						Dec. 31, 2021					
	Carrying amount			Fair Value			Carrying amount			Fair Value		
	Stages 1 & 2	Stage 3					Stages 1 & 2	Stage 3				
		Purchased	Other	Level 1	Level 2	Level 3		Purchased	Other	Level 1	Level 2	Level 3
Ordinary credit cards	261,842	-	36	-	261,842	-	324,240	-	-	-	324,240	-
Receivables from schemes	1,011,062	-	-	-	1,011,062	-	791,986	-	-	-	791,986	-
Revolving credit cards	215,757	-	3,391	-	215,757	3,391	255,101	-	781	-	255,101	781
Receivables from "Buy Now Pay Later" solution	154,881	-	18,019	-	154,881	18,019	174,271	-	36,629	-	174,271	36,629
Receivables from merchants	141,506	-	-	-	141,506	-	118,861	-	-	-	118,861	-
Other assets	146,953	-	805	-	146,953	805	99,617	-	962	-	99,617	962
Total	**1,932,001**	**-**	**22,251**	**-**	**1,932,001**	**22,215**	**1,764,076**	**-**	**38,372**	**-**	**1,764,076**	**38,372**

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 credit cards are the object of factoring operations that envisage the daily sale of receivables. The balance as at June 30, 2022 included Euro 192.6 million worth of receivables sold on a with recourse basis and which therefore have not been derecognised.

Positions in respect of international schemes refer to the daily settlement balances on the Visa-Mastercard schemes of which Nexi Payments SpA is a direct member and include the deposit paid by the Group's operating companies to its customer merchants on transactions that are yet to be settled. All such positions are settled within a few days (generally 1 to 3 days). Moreover, these period-end balances are influenced by the number of non-working days running across the end of each period, days on which settlement systems are closed, determining a greater build-up of transactions and a consequent drawdown of funding facilities.

"Buy Now Pay Later receivables" refer to receivables arising from the "Buy Now Pay Later" solution provided through the Nets Sub-Group.

"Receivables from merchants" refer to trade receivables from merchants for commissions to be collected. "Revolving credit cards" mainly include receivables guaranteed by partner banks.

"Other assets" mainly include the amount due from the factoring company of Nexi Payments SpA of Euro 76.4 million connected with the balance to be settled daily with the counterparty.

6. Equity investments

The balance of this item consists of the following Equity Investments:

Name	Direct ownership	% held	Carrying amount
A. Companies subject to joint control			
e-Boks A/S, Denmark (*)	Nets Denmarks A/S	50%	39,907
B. Companies subject to significant influence			
Nexi Digital	Nexi SpA	49%	235
Rs-Records store into liquidation	Nexi Payments SpA	30%	-
WEAT Electronic Dataservice GmbH, Germany	Concardis GmbH	40%	2,304
Total			**42,445**

(*) = information reported in aggregate for all companies belonging to e-Boks Group A/S.

This item decreased due to the acquisition of control of Orderbird as described in Section 37. Moreover, the investment in ATS, which is included in the "Capital Market" business unit, was classified under "Non-current assets held for sale".

7. Tangible assets

7.1 TANGIBLE ASSETS: BREAKDOWN OF ASSETS BY DESTINATION

	June 30, 2022	Dec. 31, 2021
Property and equipment	532,062	547,732
Investment property	1,681	1,800
Total	**533,743**	**549,532**

7.2 PROPERTY AND EQUIPMENT: BREAKDOWN

	June 30, 2022	Dec. 31, 2021
Owned		
a) Land	42,700	42,700
b) Buildings	77,916	80,235
c) POS and ATM	121,784	117,058
d) Machinery and electronic equipment/systems	127,371	114,543
e) Furniture and furnishings	6,230	5,978
f) Other	896	1,391
Rights of use from leasing contracts		
a) Land	-	-
b) Buildings	114,702	123,798
c) POS and ATM	21,280	25,105
d) Machinery and electronic equipment/systems	8,635	28,443
e) Furniture and furnishings	-	-
f) Other	10,548	8,482
Total	**532,062**	**547,732**

With regard to item "Owned", note the following:
- the carrying amount 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 PPA process.
- "POS and ATM" refer to assets acquired by the Group and covered by contracts with customers.
- "Machinery and electronic systems" mainly include hardware used by the Group's operating companies. The amount is recognised net of depreciation up until the reporting date.

"Rights of use from lease contracts" refer to assets recognised following the application of IFRS 16.

At the reporting date, there were no restrictions as to the usage of such rights of use. The Nexi Group resorted to the exemption to IFRS 16 for short-term leases and leases of low value assets (less than Euro 5,000).

7.3 PROPERTY AND EQUIPMENT: CHANGES

June 30, 2022	Land	Buildings	POS and ATM	Machinery and electronic equipment/ systems	Furniture and furnishings	Other	Total
A. Opening balance	**42,700**	**204,033**	**142,163**	**142,985**	**5,978**	**9,873**	**547,732**
B. Increases	**-**	**6,312**	**34,935**	**17,655**	**1,013**	**5,067**	**64,982**
B.1 Purchases	-	389	34,028	14,594	1,013	34	50,058
B.2 Capitalised improvement costs	-	-	-	-	-	-	-
B.3 Reversals of impairment losses	-	-	-	-	-	-	-
B.4 Positive Fair Value adjustments	-	-	-	-	-	-	-
B.5 Business combination	-	-	-	-	-	-	-
B.6 Transfers from investment property	-	-	-	-	-	-	-
B.7 Other increases	-	5,923	808	2,774	-	5,034	14,538
B.8 Currency translation adjustment	-	-	99	287	-	-	386
C. Decreases	**-**	**17,726**	**34,034**	**24,635**	**760**	**3,497**	**80,652**
C.1 Sales	-	-	-	-	-	-	-
C.2 Depreciation	-	15,648	33,832	24,604	748	3,444	78,275
of which of Rights of use	-	*13,046*	*1,395*	*2,088*	-	*3,109*	*19,638*
C.3 Impairment losses	-	-	-	-	-	-	-
C.4 Negative Fair Value adjustments	-	-	-	-	-	-	-
C.5 Business combination	-	-	-	-	-	-	-
C.6 Transfers	-	-	-	32	-	-	32
C.7 Other decreases	-	1,017	203	-	-	-	1,220
C.8 Currency translation adjustment	-	1,061	-	-	12	53	1,126
D. Net closing balance	**42,700**	**192,619**	**143,063**	**136,005**	**6,231**	**11,444**	**532,062**

7.4 INVESTMENT PROPERTY: BREAKDOWN OF ASSETS MEASURED AT COST

	June 30, 2022				Dec. 31, 2021			
	Carrying amount	Fair Value			Carrying amount	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Owned	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) land	339	-	-	-	366	-	-	-
b) buildings	1,342	-	-	-	1,434	-	-	-
2. Rights of use acquired through leasing	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-	-	-
Total	**1,681**	**-**	**2,257**	**-**	**1,800**	**-**	**2,257**	**-**

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

These investments are recorded in accordance with IAS 40 and include properties held (whether through ownership or finance leases) either to obtain remuneration by way of their rental, or to benefit from a return on invested capital as they appreciate in market value. Such property is measured at cost, net of depreciation.

At the reporting date, there are no:
- restrictions or limits to the sale of property or collection of rental charges;
- obligations or contractual commitments, construction, development, repair or extraordinary maintenance of these properties.

The reduction in this item reflects the depreciation for the period.

7.5 INVESTMENT PROPERTY: CHANGES

	June 30, 2022		
	Land	Buildings	Total
A. Opening balance	**366**	**1,434**	**1,800**
B. Increases	**-**	**-**	**-**
B.1 Purchases	-	-	-
B.2 Capitalised improvement costs	-	-	-
B.3 Reversals of impairment losses	-	-	-
B.4 Positive Fair Value adjustments	-	-	-
B.5 Business combination	-	-	-
B.6 Transfers from investment property	-	-	-
B.7 Other increases	-	-	-
B.8 Currency translation adjustment	-	-	-
C. Decreases	**27**	**92**	**120**
C.1 Sales	27	65	92
C.2 Depreciation	-	28	28
C.3 Impairment losses	-	-	-
C.4 Negative Fair Value adjustments	-	-	-
C.5 Business combination	-	-	-
C.6 Transfers	-	-	-
C.7 Other decreases	-	-	-
C.8 Currency translation adjustment	-	-	-
D. Net closing balance	**339**	**1,342**	**1,681**

8. Intangible assets

8.1 INTANGIBLE ASSETS: BREAKDOWN BY TYPE OF ASSET

	June 30, 2022		Dec. 31, 2021 Restated	
	Finite useful life	Indefinite useful life	Finite useful life	Indefinite useful life
A.1 Goodwill		13,990,638		13,962,384
A.2 Intangible assets - Customer contracts	2,317,468		2,444,911	
A.3 Other intangible assets	1,117,847		1,082,564	
Total	**3,435,315**	**13,990,638**	**3,527,475**	**13,962,384**

Goodwill as at June 30, 2022 is as follows:

- goodwill of Euro 2,999 million related to the Nexi Payments CGU which includes goodwill arising from:
  - acquisition of Nexi Payments and Help Line in 2018 (Euro 931 million, already net of the PPA process);
  - acquisition of Mercury Payment Services in 2017 (Euro 590.8 million, already net of the PPA process)
  - goodwill recognised in Nexi Payments SpA's financial statements for the Group interest, in the amount of Euro 1,477 million, mainly consisting as follows:
    - Euro 1,357 million related to the acquiring books of Monte dei Paschi di Siena, Deutsche Bank, Banca Carige and ISP (including the former UBI acquiring activities), net of the allocated amounts, upon completion of PPA process as detailed below;
    - Euro 120 million related to the payments business unit acquired from DEPObank in 2018 following the reorganisation of the Nexi Group;
- goodwill of Euro 7,292 million related to the merger with the Nets Group, which took place on July 1, 2021. This amount includes the effects of the PPA process completed as at June 30, 2022 (Euro 866 million), as well as exchange rate effects (Euro 93 million), the reclassification of goodwill allocated to Edigard under "Non-current assets held for sale and discontinued operations" (Euro 72 million) and goodwill related to the acquisitions made in 2022 through the Nets Group in Orderbird and Paytec (Euro 86 million). For further details, see section 37;
- goodwill of Euro 3,596 million related to the merger with the SIA Group, which took place on December 31, 2021. This value is provisional pending completion of the PPA process. Following the transfer of business units already defined during the transaction, this goodwill was transferred to Nexi Payments and Service Hub in the amount of Euro 3,355 million and Euro 30 million, respectively. This item decreased as a result of the reclassification of goodwill allocated to the "Capital Market" segment under "Non-current assets held for sale and discontinued operations" (Euro 52 million);
- goodwill of Euro 155 million related to the acquisition of Nexi Payments Greece as described in section 37.

The other intangible assets consist of:

- purchases of software and technological developments; the item also includes the effects of software revaluations performed as part of the PPA processes;
- intangible assets with a finite useful life as resulting from the above PPA processes, in addition to those acquired as part of the business combinations carried out during 2021. More specifically, said assets, net of amortisation accrued at the reporting date, consist of:
  - customer contracts and customer relationships deriving from the PPA processes already completed in previous years (including for the former UBI acquiring book acquired in 2021), amounting to Euro 624 million;
  - customer contracts and customer relationships totalling Euro 1,415 million resulting from the PPA process completed on June 30, 2022 in connection with the merger with the Nets Group and the acquisition of control of Orderbird and Paytec. For further information, please refer to section 37;
- customer contracts arising from the merger with SIA amounting to Euro 278 million, the value of which will be updated based on the results of the PPA process which will be completed within 12 months of the acquisition dates as required by IFRS 3.

8.2 INTANGIBLE ASSETS: CHANGES

June 30, 2022		Other acquired intangible assets		Other intangible assets: other		Total
	Goodwill	Finite useful life	Indefinite useful life	Finite useful life	Indefinite useful life	
A. Net opening restated balance	**13,962,384**	**2,444,911**	**-**	**1,082,564**	**-**	**17,489,859**
B. Increases	**240,577**	**21,863**	**-**	**189,292**	**-**	**451,732**
B.1 Purchases				167,488		167,488
B.2 Reversals of impairment losses						-
B.3 Business combination	240,577	21,863		16,838		279,278
B.4 Other increases						-
B.5 Currency translation adjustment				4,966		4,966
C. Decreases	**212,323**	**149,306**	**-**	**154,009**	**-**	**515,637**
C.1 Sales						-
C.2 Amortisation		123,448		146,417		269,865
C.3 Impairment losses				1,222		1,222
C.4 Transfers of non-current assets held for sale and discontinued operations	121,879			3,748		125,627
C.5 Other decreases		230		2,622		2,852
C.6 Currency translation adjustment	90,444	25,628				116,072
D. Closing balance	**13,990,638**	**2,317,468**	**-**	**1,117,847**	**-**	**17,425,953**

8.3 INTANGIBLE ASSETS: IMPAIRMENT TESTING

According to ESMA and IAS-IFRS, and considering the discussion paper nr. 1/2022 of the OIV (Organismo Italiano di Valutazione), Nexi Group has assessed the existence of any impairment indication that goodwill and the indefinite-lived assets originated from the business combination transactions may be impaired. The analysis has been made considering the effect of the Russia-Ukraine conflict.

The analysis of impairment indicator has been performed with a particular reference to the followings:
- the goodwill referred to the CGU of Nexi Payments and NETS for a total amount of Euro 10.291 million;
- the customer contracts and customer relationship for the value of Euro 2.039 million.

For that purpose, the value of the goodwill and the customer contracts above mentioned includes the result of the fair value identification process of the assets and liability acquired from the business combination Nets (Purchase Price Allocation). For more details, please refer to note 37.

Furthermore, the value related to the CGU SIA and Nexi Payments Greece, respectively Euro 3.545 million and Euro 155 million, and the customer contracts embedded in the ex-SIA's financial accounts, equal to Euro 278 million, have not been yet included in the analysis. Considering the recent effective date of the operations (December 31, 2021 for SIA and June 30, 2022 Nexi Payments Greece), the consideration of the mentioned extraordinary transactions are still being evaluated in the fair value identification process of the assets and liabilities acquired (Purchase Price Allocation). In addition, from a preliminary analysis of the financial reporting and the results of the ex-SIA perimeter for the first half of the FY2022, no signal of deterioration of the activities has been detected.

For the purpose of assessing impairment indicators, both internal and external factors have been considered. Specifically, among the others, the following internal factors have been considered:
- the economic-financial trend of the first half of 2022 versus the budget already included in the 2021 impairment test;
- the preliminary analysis of the potential impact of the inflation rate on the performances of the group either on the future cash flow and on growth rate.

The external factors considered are:
- the increase of the market rates and the impact on the discount rate applied to the actualization of future cash flows projections;
- Nexi stock price trend in the past 12 months, in relation also to market comparables, and the difference between market capitalization and the carrying amount of the net assets of the group;
- the potential impact on the future cash flow relating to the Russia-Ukraine conflict.

In relation to the factors that have shown a negative impact on the analysis, stress tests and sensitivity analysis, also with the support of external consultants, have been performed applying a prudential approach.

According to the result of the analysis performed, no potential indicators of impairment for the CGU in scope have been highlighted.

With reference to the intangible assets with a finite useful life, relating to the customer relationship originating from the Purchase Price Allocation held during the acquisition of the business lines of MPS, DB, Carige and Intesa Sanpaolo, and the customer contract of Intesa Sanpaolo, the analysis has been performed with a comparison of the actual values with the former plans applied for the Purchase Price Allocation activity. The result of the analyses has highlighted the absence of impairment indicators either with reference to the transacted volumes and to the net generated revenues.
With reference to the intangible assets with a finite useful life, in relation to Nets group customer relationship and the customer contracts recognised for the first time in this half year financial report with the completion of the Purchase Price Allocation, an analysis of the principal contract and the churn rate in the 12 months subsequent to the acquisition of the Nets group have been performed with results in line with the forecasts made during the initial evaluation of the intangible assets.

9. Tax assets and liabilities

9.1 CURRENT TAX ASSETS AND LIABILITIES

As at June 30, 2022, the consolidated interim financial statements show Euro 24.2 million (Euro 25.1 million as at December 31, 2021) related to current tax assets and Euro 129.2 million (Euro 47.6 million as at December 31, 2021) related to current tax liabilities.
The current national tax consolidation scheme refers not just to the parent Nexi SpA, but extends to subsidiaries Mercury Payment Services SpA, Nexi Payments SpA, Help Line SpA and from 2022 Service Hub SpA and SIApay Srl.

9.2 DEFERRED TAX ASSETS: BREAKDOWN

	June 30, 2022	Dec. 31, 2021 Restated
Deferred taxes assets		
- of which: recognised in equity	2,199	3,482
- of which: recognised in profit and loss	210,811	209,178
- of which: recognised in the profit and loss statement due to elimination of the equity investments	-	-
Total	**213,010**	**212,660**

Deferred tax assets comprise the following:
- taxes recognised with a balancing entry in equity mainly arising from deferred tax assets relating to the severance pay;
- taxes recognised with a balancing entry in the Income Statement mainly refer to deferred tax assets arising from the fiscally-driven revaluation of goodwill recognised in the financial statements of Nexi Payments and Nexi SpA. The item also includes deferred tax assets relating to adjustments to receivables, provisions for risks and charges, as well as the tax asset arising from the spin-off of certain equity investments from DEPObank SpA to Nexi, and deferred tax assets on tax losses.

As at June 30, 2022, the Group had unutilised tax losses of Euro 31.6 million, which can be carried forward indefinitely. With regard to these tax losses, according to available estimates, deferred tax assets of Euro 20 million were recognised. The assessment of the recoverability of the tax assets related to tax losses is based on the taxable income expected within the next three to five years.

Unrecognized tax assets, for which there is no evidence of use in the short term, have not been accounted for and amount to Euro 14.3 million, corresponding to tax losses equal to Euro 62.4 million.

9.3 DEFERRED TAX LIABILITIES: BREAKDOWN

	June 30, 2022	Dec. 31, 2021 Restated
Deferred tax liabilities		
- of which: recognised in equity	4,193	3,166
- of which: recognised in profit and loss	604,674	611,280
- of which: recognised in the profit and loss statement due to elimination of the equity investments	78,725	80,459
Total	**687,592**	**694,905**

Deferred tax liabilities comprise the following:
- tax recognised in equity mainly arising from deferred tax related to the fair value measurement of the Visa Shares portfolio;
- taxes recognised with a balancing entry in profit or loss arising from temporary differences on goodwill and deferred tax liabilities identified during the PPA process involving the business combinations carried out by the Group;
- tax recognised in the Income Statement arising from the elimination of equity investments in Mercury Payment Services SpA and the allocation of part of the purchase price to intangible assets with a finite useful life.

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

	June 30, 2022	Dec. 31, 2021
A. Assets held for sale		
A.1 Financial assets	6,197	1,458
A.2 Tangible assets	48	16
A.3 Intangible assets	125,894	229
A.4 Other assets	7,338	88
Total (A)	**139,477**	**1,790**
B. Liabilities associated with assets held for sale		
B.1 Other liabilities	3,335	312
B.2 Payables	5,531	329
Total (B)	**8,866**	**641**

This category mainly includes assets and liabilities related to:
- Nexi Payments' Capital Market business unit, with regard to which a sale agreement was signed, the closing of which is expected by the end of the year; this business unit had been acquired by the Nexi Group as part of the merger with SIA, which took place on December 31, 2021;
- the companies belonging to Edigard, for which a contract of sale has already been signed and was settled on July 5, 2022; this business unit had been acquired by the Nexi Group as part of the merger with the Nets Group, which took place on July 1, 2021.

For both of the groups of assets and liabilities held for sale described above, as they resulted from the recent mergers with SIA and Nets, the goodwill allocated was determined on the basis of the transfer price.

11. Other assets

	June 30, 2022	Dec. 31, 2021
Tax receivables	69,086	68,331
Other assets for commissions to be collected	618,100	654,309
Deferred costs	230,120	174,712
Inventory	43,208	23,164
Other assets	380,110	354,634
Total	**1,340,624**	**1,275,150**

"Other assets for commissions to be collected" refer to receivables net of the relevant risk provisions.
"Inventories" mainly refer to ATMs, POSs and spare parts, net of the relevant write-down provision.
"Deferred costs" refer to prepaid costs related to contracts with customers and similar for Euro 91 million as well as prepaid costs not yet accrued amounting to about Euro 139 million.
"Other assets" include accounts related to e-money settlement.

LIABILITIES

12. Financial liabilities measured at amortised cost

12.1 FINANCIAL LIABILITIES DUE TO BANKS: BREAKDOWN BY PRODUCT

	June 30, 2022				Dec. 31, 2021			
	Carrying amount	Fair Value			Carrying amount	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Financing	2,406,074	-	2,406,074	-	3,358,371	-	3,358,371	-
2. Other liabilities	191,837	-	191,837	-	281,815	-	281,815	-
3. Lease liabilities	9,123	-	9,123	-	9,123	-	9,123	-
Total	**2,607,034**	**-**	**2,607,034**	**-**	**3,649,309**	**-**	**3,649,309**	**-**

"Financing" mainly includes the Group's funding, composed as follows:
- the IPO Term line for Euro 994 million. The carrying amount at the reporting date included direct residual transactions costs, not yet amortised, for Euro 8 million;
- the Term Loan for Euro 463 million. The carrying amount at the reporting date included direct residual transaction costs, not yet amortised, of Euro 3 million.
- the BBPM Credit Line for Euro 199 million. The carrying amount at the reporting date included direct residual transaction costs, not yet amortised, of Euro 1 million;
- funding to support the operations of the subsidiary Ratepay, in particular pay-later services for Euro 107 million.

Moreover, the item includes credit lines used by the Group for settlements.

"Other liabilities" mainly refer to fees and other retrocessions to partner banks.

The balance includes Euro 1,763 million in bank financing, Euro 19 million in other liabilities (principally lease liabilities, and Euro 10 million in deferred consideration) included in the Net Financial Position.

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

	June 30, 2022				Dec. 31, 2021			
	Carrying amount	Fair Value			Carrying amount	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Financing	328,708	-	328,708	-	434,699	-	434,699	-
2. Other liabilities	1,420,825	-	1,420,825	-	1,202,184	-	1,202,184	-
3. Lease liabilities	159,678	-	159,678	-	176,651	-	176,651	-
Total	**1,909,211**	**-**	**1,909,211**	**-**	**1,813,534**	**-**	**1,813,534**	**-**

"Financing" refers for Euro 197 million to the factoring company for advances on ordinary credit cards sold with recourse and for Euro 132 million to settlements related to the "Buy Now Pay Later" solution.
"Other liabilities" mainly include settlements of the acquiring business arising from the activities of the foreign operations and balances related to prepaid cards.
"Lease liabilities" include the liability deriving from the application of IFRS 16 to operating leases, equal to the present value of the payment flows envisaged by current contracts and is entirely included in the Net Financial Position.

12.3 SECURITIES ISSUED: BREAKDOWN BY PRODUCT

	June 30, 2022				Dec. 31, 2021			
	Carrying amount	Fair Value			Carrying amount	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Fixed rate securities	4,465,783	-	3,616,772	-	4,449,279	-	4,635,783	-
2. Floating rate securities	-	-	-	-	-	-	-	-
Total	**4,465,783**	**-**	**3,616,772**	**-**	**4,449,279**	**-**	**4,635,783**	**-**

Note: with reference to the Convertible Bonds, the fair value above refers to financial liability for the issue as a whole.

As more fully explained in the Management Report, the item refers to:
- the 2026 Bonds in the amount of Euro 1,044 million, including direct transaction costs not yet amortised in the amount of Euro 9 million;
- the 2029 Bonds in the amount of Euro 1,044 million, including direct transaction costs not yet amortised in the amount of Euro 9 million;
- the 2027 Convertible Loan, in the amount of Euro 457 million, including direct transaction costs not yet amortised in the amount of Euro 3 million attributed to the "Liability" component;
- the 2028 Convertible Loan, in the amount of Euro 879 million, including direct transaction costs not yet amortised in the amount of Euro 5 million attributed to the "Liability" component;
- the 2024 Bond Loan in the amount of Euro 824 million, including direct transaction costs not yet amortised in the amount of Euro 4 million;
- the Nassa Topco Bond Loan, in the amount of Euro 219 million.

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

13. Financial liabilities at Fair Value through profit or loss

13.1 FINANCIAL LIABILITIES AT FVTPL: BREAKDOWN

	June 30, 2022				Dec. 31, 2021			
	Carrying amount	Fair Value			Carrying amount	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
Financial liabilities held for trading	-	-	-	-	-	-	-	-
Financial liabilities measured at Fair Value	1,572	-	1,572	-	1,572	-	1,572	-
Other financial liabilities mandatorily measured at Fair Value	169,189	-	169,189	-	166,957	-	166,957	-
Total	**170,761**	**-**	**170,761**	**-**	**168,529**	**-**	**168,529**	**-**

"Financial liabilities measured at fair value" refer to the liability linked to Visa shares as described in more detail in section 4.2.
"Other financial liabilities mandatorily measured at fair value" refer to the contingent consideration provided for by contracts with reference to the business combinations.
This item is included in Net Financial Position.

14. Other liabilities

	June 30, 2022	Dec. 31, 2021
Tax liabilities	43,657	55,307
Payables due to employees	158,048	169,674
Other liabilities for fees and commissions	685,574	651,321
Unsettled transactions	371,573	242,693
Other liabilities	46,337	97,968
Deferred loyalty fees and other revenues	84,583	66,181
Prepaid-cards unsettled transactions	1,314	1,142
Cash advance to be settled	-	-
Total	**1,391,086**	**1,284,285**

"Other liabilities for fees and commissions" include amounts due to suppliers and other counterparties for commercial services received.
"Deferred loyalty fees and other revenues" mainly include liabilities associated with Loyalty programmes in place, worth Euro 37.2 million, aside from the contract liabilities, worth Euro 25 million, mainly associated with revenues invoiced in advance and one-off revenues for projects concerning the goodwill of new customers or new products.
"Unsettled transactions" refer to transaction associated with different processing stages of the settlement of transactions in the first days of the following month.
"Cash advance to be settled" refers to "cash advance" transactions yet to be settled on international schemes.

15. Post-employment benefits

The item includes defined benefit plans in place at the Group's operating companies based on local legislation or supplementary agreements. As at June 30, 2022, amounts payable pursuant to IAS 19 requirements for post-employment benefits totalled Euro 32.5 million (Euro 39.8 million as at December 31, 2021).

16. Provisions for risks and charges

16.1 PROVISIONS FOR RISKS AND CHARGES: BREAKDOWN

	June 30, 2022	Dec. 31, 2021 Restated
1. Internal pension funds	-	-
2. Other provisions for risks and charges	160,655	180,636
2.1 Legal and tax disputes	54,892	61,638
2.2 Employees expenses	610	3,257
2.3 Other provisions	105,153	115,741
Total	**160,655**	**180,636**

"Legal and tax disputes" of Euro 55 million (Euro 62 million as at December 31, 2021) refer mainly to the provisions made for litigation, including estimated legal fees, for which the risk is considered probable.
"Other provisions" of Euro 105 million (Euro 116 million as at December 31, 2021 restated) mainly refer to:

a. Provision for contractual commitments made during the acquisition of the investment in Bassilichi, for about Euro 6.6 million, down compared with December 31, 2021 (Euro 7.2 million) due to use in the period;

b. Provision for disposal costs of non-core equity investments held by the Bassilichi Group, for Euro 1 million, down from Euro 2.5 million as at December 31, 2021 due to period use;
c. Provision to cover risks mainly related to pending transactions and other disputes related to ordinary operations amounting to approximately Euro 11 million (Euro 15 million as at December 31, 2021). This item decreased mainly as a result of the releases made in the half-year as the related risks ceased to exist;
d. Provision for fraudulent transactions, mainly in issuing, of Euro 1.7 million (Euro 1.3 million as at December 31, 2021);
e. Provision to cover charge back and other risks related to the acquiring business in the amount of approximately Euro 24 million (Euro 27 million as at December 31, 2021) as a result of the release in the period as the related risks ceased to exist.
f. Provisions to cover only possible risks recognised as an adjustment to the opening balances related to the merger with Nets equal to Euro 31 million (Euro 10 million as at December 31, 2021);
g. Provisions related to onerous contracts and contractual penalties amounting to Euro 24 million (Euro 32 million as of December 31, 2021), the reduction of which is related to uses for the period.

With reference to the ongoing arbitration against Cedacri, central to which is Cedacri's request of a Euro 74.1 million price adjustment, the Group, also based on the opinion of its legal advisers, considers the risk possible.

17. Shareholders' Equity

	June 30, 2022	Dec. 31, 2021 Restated
Share capital	118,583	118,452
Treasury shares	(4,493)	(4,493)
Share premium	11,587,260	11,587,260
Reserves	580,255	523,080
Valuation reserves	(69,212)	36,729
Profit (Loss) for the period	89,130	37,729
Equity attributable to non-controlling interests (+/-)	16,522	9,411
Total Shareholders' Equity	**12,318,045**	**12,308,168**

"Equity attributable to non-controlling interests" of Euro 16.5 million, mainly refers to minority stakes in Nexi Payments SpA (Euro 8 million), Help Line SpA (Euro 1 million) and Nexi Payments Greece (Euro 7 million).
Specifically, as at June 30, 2022 share capital comprised 1,311,638,938 ordinary shares, all fully paid up.
The treasury shares in portfolio purchased during 2021 amounted to 282,475.
"Reserves" increased mainly due to the recognition of the effects of share-based plans (about Euro 20 million).
The change in the "Valuation reserves" is mainly related to the Conversion Reserve, whose decrease was partially offset by the increase in the Valuation reserve related to Visa Class C shares in portfolio.

18. Income Statement

(Amounts in Euro thousand)

The income statement figures are not comparable with those for the 2021 period due to the extraordinary transactions executed in 2021.

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19. Fees for services rendered and commission income

	I Half 2022	I Half 2021
Issuing & Acquiring fees:	1,600,219	673,119
- fees and commissions from counterparties	*1,210,727*	*571,381*
- fees and commissions from cardholders	*389,106*	*101,737*
- other fees	*386*	*-*
Revenues from services	849,760	245,093
Total	**2,449,979**	**918,212**

"Issuing & acquiring fees" mainly consist 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.

"Revenues from services" mainly consist 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.
Pursuant to IFRS 15.116, fees and commission income for services rendered include revenues recognised during the period, included in the opening balance of contract liabilities for Euro 6 million.

20. Fees for services received and commission expense

	I Half 2022	I Half 2021
Bank charges:	719,510	371,853
- fees due to correspondents	*532,526*	*258,885*
- fees due to banks	*186,984*	*112,968*
Other fees	212,046	866
Total	**931,556**	**372,719**

This item mainly comprises:
- fees due to correspondents, mostly consisting of interchange fees and other charges debited by the schemes;
- fees due to banks, mainly consisting of fees paid to partner banks and commissions retroceded within the framework of the master and distribution agreements in place with regard to acquiring books acquired in recent years.

21. Interest and similar income

	I Half 2022	I Half 2021
Financial assets measured at amortised cost:	12,201	7,510
- loans and receivables with banks	*5,392*	-
- loans and receivables with financial entities and customers	*6,809*	*7,510*
Financial assets measured at FVTOCI	-	-
Financial assets measured at FVTPL:	299	-
- financial assets held for trading	*299*	-
- financial assets measured at Fair Value	-	-
- other financial assets mandatorily measured at Fair Value	-	-
Hedging derivatives	-	-
Other assets and other financial income	13,628	26
Total	**26,128**	**7,536**

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

22. Interest and similar expense

	I Half 2022	I Half 2021
Financial liabilities measured at amortised cost:	101,018	82,517
- lease contracts	*4,636*	*398*
- due to banks and customers	*48,766*	*51,667*
- securities issued	*47,616*	*30,452*
Financial liabilities at Fair Value through profit or loss:	-	-
- financial liabilities held for trading	-	-
- financial liabilities measured at Fair Value	-	-
- other financial liabilities mandatorily measured at Fair Value	-	-
Hedging derivatives	-	-
Other liabilities/provisions and other financial charges	4,750	848
Total	**105,768**	**83,365**

Interest expense mainly refers to:
- recourse credit facilities attached to the factoring –agreement entered in 2018 by Nexi Payments SpA;
- securities issued which, as detailed in the Management Report and Note 38, increased during 2021 as a result of new funding operations and the merger with Nets;
- outstanding financing which, as detailed in the Management Report and section 12.1, increased during 2021 as a result of new funding operations.

23. Profit (Loss) on trading activity/hedging/financial assets and liabilities designated at Fair Value through profit or loss

	I Half 2022	I Half 2021
Net result of financial assets measured at FVTPL	-	-
Net result of financial liabilities measured at FVTPL	810	(7,158)
Net hedging income on financial assets	-	-
Total	**810**	**(7,158)**

The item mainly includes the effect of the fair value measurement of the option separated from the Convertible Bond Loan, which, as detailed in Note 38, was measured at fair value from the issue date to October 15, 2021, the date on which the Nexi SpA Shareholders' Meeting approved the capital increase related to the potential conversion of the Bond Loan.

24. Dividends and Profit (Loss) from investments and sale of assets at Fair Value through other comprehensive income

	I Half 2022	I Half 2021
Dividends	235	1,179
Profit/(loss) from disposal of financial assets at FVTOCI	(4,555)	(3,836)
Net income	**(4,320)**	**(2,656)**

The item's balance mainly refers to, under the scope of the factoring contract, expense due to transfer without recourse by Nexi Payments SpA of a significant portion of the loans portfolio attached to credit cards issued. It also includes dividends distributed by the Group's investees, other than subsidiaries and associates, which are classified as "Financial assets at fair value through OCI".

25. Administrative expenses

25.1 PERSONNEL-RELATED COSTS: BREAKDOWN

	I Half 2022	I Half 2021
1) Employees		
a) wages and salaries	286,266	65,140
b) social security charges	49,519	18,062
c) post-employment benefits	5,969	670
d) pension and similar costs	16,734	24
e) accrual for post-employment benefits	2,083	673
f) accrual for pensions and similar provisions:	-	-
- defined contribution plans	-	-
- defined benefit plans	-	-
g) payments to supplementary pension funds:	10,936	3,949
- defined contribution plans	*7,222*	*3,949*
- defined benefit plans	*3,714*	-
h) costs of share-based payment plans	21,100	22,492
i) other employee benefits	11,543	2,683
2) Other personnel	**15,152**	**199**
Total	**419,302**	**113,893**

They 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 36.

25.2 OTHER ADMINISTRATIVE COSTS: BREAKDOWN

	I Half 2022	I Half 2021
1. Third-party services	140,751	78,628
2. Lease and building management fees	10,040	1,297
3. Insurance	3,207	1,507
4. Rentals	16,324	4,999
5. Maintenance	59,360	20,185
6. Shipping costs	16,368	10,629
7. Telephone and telegraph	15,720	6,214
8. Cards and accessories	350	3,324
9. Printed matter and stationery	6,316	2,602
10. Other taxes	6,113	7,646
11. Legal, notary and consultancy services	92,422	52,025
12. Agents' commissions and expense reimbursement	74	28
13. Advertising	5,655	2,040
14. Promotional materials and competition prizes	15,824	8,025
15. Other commercial costs	2,656	151
16. Other general expenses	117,252	18,146
Total	**508,432**	**217,446**

As required by IFRS 15.128, the costs for the execution of customer contracts recognised during the period and included in the opening balance of contract assets, amounted to approximately Euro 21 million.

26. Other operating income/expenses, net

	I Half 2022	I Half 2021
Other operating income	4,013	19,551
Other operating expenses	(6,686)	(6,160)
Total	**(2,673)**	**13,391**

27. Net value adjustments on assets measured at amortised cost

	Impairment losses		Reversals of Impairment losses		I Half 2022	I Half 2021
	Stages 1& 2	Stage 3	Stages 1& 2	Stage 3	Total	Total
A. Loans and receivables with banks	-	-	-	-	-	-
B. Loans and receivables with customers	(229)	(10,849)	-	101	(10,976)	(2,360)
Total	**(229)**	**(10,849)**	**-**	**101**	**(10,976)**	**(2,360)**

This item refers to the net value adjustments applied to receivables due from customers mainly connected with direct issuing and acquiring operations carried out by the Group's operating companies.

28. Net accruals to provisions for risks and charges

	I Half 2022	I Half 2021
Net provisions for risks and charges	(14,281)	15,015
Net accrual to provisions for fraud	-	(124)
Total	**(14,281)**	**14,890**

This item reflects changes to the provision for risks and charges.

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

	I Half 2022	I Half 2021
Depreciation and net impairment loss on tangible assets	78,276	26,794
Amortisation and net impairment loss on intangible assets	271,060	60,245
Total	**349,336**	**87,039**

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

	I Half 2022	I Half 2021
Profit		
Profits on equity investments	4,136	-
Profits on sale of investments	3	44
Loss		
Loss on equity investments	-	-
Loss on sale of investments	(136)	(129)
Net Result	**4,001**	**(85)**

31. Income taxes

	I Half 2022	I Half 2021
Current taxes	(89,785)	(27,447)
Changes in current taxes in previous years	-	-
Change in deferred tax assets	(9,131)	40,178
Change in deferred tax liabilities	22,291	(352)
Total	**(76,625)**	**12,379**

Income taxes amount to Euro 76.6 million, compared to a positive balance of Euro 12.4 million in the previous period.

32. Income (loss) after tax from discontinued operations

The item refers to the positive and negative items of income from assets held for disposal (see Note 10).

	I Half 2022	I Half 2021
1. Profit	4,332	-
2. Loss	-	-
3. Valuation of disposal group and associated liabilities	-	-
4. Profit (Loss) from disposal	(109)	(37)
5. Tax and duty	-	-
Profit (Loss)	**4,224**	**(37)**

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

These are minorities mainly referring to Nexi Payments SpA for Euro 1.2 million and Help Line SpA for Euro 0.1 million.

34. Information on risks and related hedging policies

The Nexi Group oversees strategic, operational, compliance and financial risks. These notes analyse some more relevant cases of operational and financial risks. For information about the other risks, please refer to the "Main Risks and Uncertainties" section of the Management Report.

Risk management at Nexi Group

The Risk Management and Internal Control System adopted by the Nexi Group (RMICS) consists of a set of rules, procedures and organisational structures aimed at the effective and efficient identification, measurement, management and monitoring of the main risks in order to contribute to the company's sustainable success.

This system is integrated into the more general organisational and corporate governance structures adopted by the companies of the Nexi Group, takes into account the recommendations of the Corporate Governance Code and is inspired by current national and international best practices.

The Nexi Group's Risk Management and Internal Control System is divided into three lines of defence for its companies. Specifically:

- First level of control - line controls, aimed at ensuring the smooth running of operations. These controls are the primary responsibility of operational management and are considered an integral part of every business process. The operational and business structures are therefore primarily responsible for the internal control and risk management process. In the course of day-to-day operations, these structures are called upon to identify, measure or assess, monitor, mitigate and report risks arising from ordinary business operations in accordance with the risk management process and applicable internal procedures.
- Second level of control - controls on risk management and regulatory compliance that aim to contribute to the definition of methodologies for the identification and assessment of corporate risks, to the definition of their governance policies, to verify compliance with the limits assigned to the various operational functions and to ensure the consistency of the operations of individual production areas with the assigned risk-return objectives, as well as the compliance of corporate operations with laws and regulations, in particular for Supervised Companies, including those of self-regulation. They are entrusted to structures other than the operational ones (so-called Second-level control functions).
- Third level of control consisting of the controls of the Internal Audit function. This includes controls aimed at detecting violations of procedures and regulations, as well as the periodic assessment of the completeness, functionality and adequacy of the risk management and internal control system, including those on the information system (ICT Audit), at a predetermined frequency in relation to the nature and intensity of the risks. This activity is carried out by a different function that is independent of the operational functions, including through on-site audits.

In the Companies of the Nexi Group, the Audit Function is placed under the direct authority of the Board of Directors and does not directly take part in the provision of the services they are required to audit.

The second- and third-level Control Functions have the authority, resources and skills necessary for the performance of their tasks. These Functions may intervene in corporate activities, including those that have been outsourced, have access to all the documentation necessary for the performance of their duties and, if necessary, promote the involvement of other Organisational Units concerned by any issues that may arise.

The subsidiaries of Nexi SpA ensure the establishment and maintenance of an adequate and effective RMICS, implementing the Guidelines defined by the Parent Company in compliance with the regulations applicable to each Subsidiary and Supervised Company.

Nexi Group risks

Liquidity and interest rate risks

The Group has significant financial indebtedness, as described in the section "Changes in Group Debt". Sustainability of Nexi Group's debt level is correlated, first and foremost, to its operating results and thus to its capacity to generate sufficient liquid funds and to refinance debt at maturity.

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

Changes in interest rates impact the market value of the company's financial assets and liabilities and the level of interest expenses, as some of the loans subscribed are variable rate.

As at June 30, 2022, approximately 26% of the Nexi Group's medium-long term financial liabilities expressed at nominal value were exposed to sources of funding at a variable interest rate, and specifically to the Euribor index. Nexi periodically monitors the forward curves of the variable rates of reference, paying particular attention to trends relating to the 1/3/6-month Euribor rate, which the Group is primarily exposed to. Also in light of this monitoring – taking into account the maturity of the related payables and the presence of a floor of zero for the Euribor rate applied to the IPO Loan, Term Loan and BBPM Loan – the Nexi Group decided against hedging the interest rate risk at the end of the interim financial statements.

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

The Group has set up procedures aimed at identifying, monitoring and managing liquidity and interest rate risks, which include among other things 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.

Impacts of the Russia/Ukraine conflict on liquidity and interest rate risk

Following Russia's attack on Ukraine, there has been a marked change in the economic picture, especially with regard to inflation, and the way in which the European Central Bank (ECB) is responding to these changes. Inflation has been rising sharply globally for several months as a result of rising energy prices on international markets, especially oil and gas.

Despite the increased downside risks to growth posed by the Russian invasion of Ukraine, the gradual current and expected increase in inflation led the European Central Bank to bring forward the end of net purchases under its financial asset purchase programme to the beginning of July. In this respect, the Board in the meeting of July, decided to raise the reference rates by 50 basis points, while at the same time approving the Transmission Protection Instrument (TPI) measures considered essential by the ECB to ensure a return of inflation to its medium-term 2% target, in line with its mandate to preserve price stability. This was a first step, wider than the previous meeting, in the path of normalisation of reference rates, based on the updated assessment of inflation risks and the increased support provided by the TPI for the effective transmission of monetary policy.

In light of the foregoing, it cannot be excluded that there may be an increase in the financial charges, with consequent significant impacts on the Nexi Group's results and outlook.

Moreover, with specific regard to the Group's funding liquidity risk, 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, taking into account the maturities of the existing financial debt.

Operational risk

Operational risks relate to the performance of business processes in an inefficient and/or ineffective manner, including ICT, security, legal and contractual risks, which could adversely affect the Company's operations and/or performance.

The reliability, operational performance, integrity and continuity of the ICT infrastructure of the Nexi Group and the technological networks are crucial to the Group's business, prospects and reputation. Particularly important in the context of the ICT infrastructure in question are the merchant acquiring and card issuing platforms. The availability of such platforms and other systems and products may be compromised by damage or malfunctions to the Group's or its third-party service providers' ICT systems. Malfunctions can be caused by migrations to new technological or application environments, in the case of significant changes in the production environment, or by human error, insufficient and incomplete testing, cyber-attacks, unavailability of infrastructure services (e.g. electrical or network connectivity) or natural phenomena (e.g. floods, fires or earthquakes).

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.

Other significant risks worthy of consideration are that 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.

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.

The Group has sophisticated systems in place for transaction control and detection and suitable organisational measures to prevent fraud and control risk management.

For operational risks, the risk management objective is mitigation of the impact and/or probability from a cost/benefit perspective, in line with the defined risk appetite. Nexi has adopted policies, processes and instruments to identify, manage and monitor these risks, in line with the national and international regulatory provisions and requirements and best practices in the sector.

Impacts of the Russia/Ukraine conflict on operational risk

The economic and political tensions generated by the conflict between Russia and Ukraine undoubtedly pose threats to the business continuity of many companies. As per its business continuity procedures, Nexi Group organised a special Group Crisis Management Team in the earliest days to closely monitor the evolution of the crisis and to implement the necessary actions to protect the Customers and the business. In fact, the areas under continuous monitoring are people, business continuity, cyber risk, business impact and regulatory compliance.
As far as the Nexi Group is concerned, there were no significant operational or financial impacts. In fact, the company has no production or personnel in Russia, Belarus or Ukraine, and has no direct business relations with companies based in those countries. There are also no reported impacts of any sanctions on the company's business.

With regard to cyber risk, no suspicious activities or cyber threats were identified at group level. However, a dedicated task force was set up at group level in order to:

- monitor unusual events in all companies;
- define preventive measures to be implemented (e.g. offline backup of critical systems, mapping of network connections to warring countries, preparation of filters based on geographical locations, etc.);
- coordinate with intelligence providers, both national and European.

Nexi also has Disaster Recovery and Business Continuity plans and procedures for critical services to be triggered in the event of a crisis. Finally, with regard to the risk of fraud, there has been no change in the level of fraud in the recent period due to the Russia/ Ukraine conflict.

Credit risk

For the Nexi Group, credit risk originates in the acquiring activity, in the issuing activity and in the Buy Now Pay Later ("BNPL") activity. The credit risk in the acquiring business derives from the following cases:
- Chargeback risk: in the event of payment in advance of delivery of the purchased product/service, customers may receive a refund via chargeback if it is not delivered. The acquirer is exposed toa credit risk vis-à-vis the merchant if it is insolvent.
- Return risk: if the customer decides to exercise the right of withdrawal and get a refund for purchases of products/services. Following the repayment, the acquirer is exposed to a credit risk vis-à-vis the merchant if it is insolvent.

Furthermore, again in the context of the acquiring business – if net settlement with the merchant is not adopted – the Group is exposed to credit risk for the amount of fees due from the merchants.

For both Retail and Corporate issuing, Nexi is exposed to credit risk if a cardholder is unable to pay their debt.
For the "Buy Now Pay Later" business, on the other hand, credit risk arises in two different circumstances: i) risk on "returns" if the customer decides to exercise the right of withdrawal and the merchant is unable to reimburse the customer, and ii) credit risk where cardholders are given the opportunity to purchase a product or service and pay for it later/in instalments.

Credit risk mitigation and monitoring

The Group is committed to assessing and implementing all mitigation measures deemed necessary and/or most effective depending on the specific circumstances, based on risk-return analyses.
The main mitigation measures that the Group can adopt include the following:
- request for bank, insurance or cash collateral guarantees from the customer;
- inclusion of contractual clauses requiring bank or insurance guarantees if the customer exceeds certain risk thresholds;

Moreover, with specific reference to acquiring, we note the following:
- use of net settlement to credit the merchant with the amounts due, net of commissions, chargebacks, any refunds;
- deferral of payments due, depending on business model and characteristics of the merchants.

In selected cases, following a risk-based analysis, the Group may also decide to reduce or terminate the relationship with the customer.

Within each Legal Entity, the first-level functions are responsible for the continuous monitoring of credit risk, initiating the appropriate mitigation and/or escalation measures in the event of signs of anomalies. Moreover, the local Risk Management functions contribute to the definition of credit risk governance policies, ensure proper monitoring of risk performance and provide adequate information to the Corporate Bodies on the outcome of the activities carried out.

Impacts of the Russia/Ukraine conflict on credit risk

Towards the end of 2021 and in the first quarter of 2022, the growth of the Italian economy experienced a marked slowdown caused mainly by high energy prices and a context of general high uncertainty related to possible developments in the conflict in Ukraine.

Significant declines were reported for the current year in both manufacturing and services, set against a backdrop of mistrust regarding growth and inflation expectations. Economic and political instability, complications related to the supply of raw materials and intermediate products, and tensions in international trade are in fact weighing heavily on Italian companies. On the investment front, the latest surveys point to a slowdown in capital accumulation in the early part of 2022. The positive effects generated by the substantial public resources allocated to finance investment and the reform programme envisaged in the National Recovery and Resilience Plan (NRRP) do not therefore curb the perception of clearly worsening conditions in all sectors compared to 2021, with fixed investment expenditures still likely to grow, but at a much slower pace than foreseen last year.

While the quantification of the expected credit losses is therefore greatly affected by uncertainty, the Nexi Group works very hard to estimate the current and future risk levels in the most vulnerable economic sectors, intensifying the monitoring of exposures. The set of internal risk indicators was also expanded in order to identify any unlikely-to-pay exposures, trying to differentiate between temporary financial difficulties, eligible for relief, and structural impairment of credit.

At the date of publication of these notes, despite facing situations that are still potentially critical, the impact of the pandemic and the Russia/Ukraine conflict is limited, also owing to the proper and prompt management of credit risk, to the monitoring activities and to the mitigation measures taken.

More specifically, with regard to the first half of 2022:

- The trend in chargebacks was down from the same period of the previous year.
- The value of outstanding amounts from merchants, gross of recoveries, was down compared to the same period of 2021. Therefore, no relevant risks are foreseen in the short term.
- With regard to the Buy Now Pay Later business, there was a decrease in insolvencies compared to the same period in 2021.

Market risk (price and currency)

The Nexi Group is exposed to the risk of unfavourable movements in the price of its Visa Inc. Class C shares, as well as negative effects on the value of said shares due to movements in the EUR/USD exchange rate. Such shares (convertible into Visa ordinary Class A shares at a conversion factor that varies based on the costs deriving from potential liabilities of the former 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.

At the date of these notes, based on the fair value measurement of the share in the reference markets, hedging against market risks via financial instruments was deemed unnecessary.

Market risks have not been significantly impacted by the Covid-19 pandemic and the Russia/Ukraine conflict.

The Italian group companies are also marginally exposed to the exchange rate 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 mainly denominated in euros.

However, some of the Group's foreign companies operate mainly in Northern and Central Europe, and consequently the Group is exposed to exchange rate risk arising from its operations in DKK (Danish krone), NOK (Norwegian krone), SEK (Swedish krona), PLN (Polish zloty) and HRD (Croatian dinar), and to a lesser extent to its operations in USD (US dollar), CHF (Swiss franc), GBP (British pound) and ISK (Icelandic krona). The risk exposure in Danish krone is considered to be low, as it is a currency that has seen relatively low volatility against the euro in the past.

Climate risk

In accordance with the recommendations of the Task Force for Climate-related Financial Disclosures (TCFD) and the European Commission's Non-Binding Guidelines on Climate Information Reporting, the Nexi Group conducted an analysis to identify and assess the risks and opportunities related to climate change in Nexi, although no risk area related to environmental aspects was identified. The risks identified did not exceed the materiality threshold that would have determined their inclusion in ERM assessments. However, climate change risks are important to the Group given the potentially high strategic and reputational impacts such risks could have on the business and the speed with which such changes could occur.

Climate-related risks are integrated into the corporate-wide risk management process and assessed regularly through analyses covering multiple time horizons, short, medium and long term.

35. Related Parties

The purpose of IAS 24 (Related party disclosures) is to make sure that the financial statements of an entity contain the additional information necessary to highlight the possibility that the financial position and 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 and governance structure of the Nexi Group, the following are considered as related parties:

a) parties that directly or indirectly, de jure or de facto, including through subsidiaries, trusts or intermediaries, exercise significant influence over Nexi; these parties include, in addition to Bain Capital Investors LP, Advent International Corporation and Hellman & Friedman LLC, also Cassa Depositi e Prestiti and its direct parent represented by the MEF (Italian Ministry of Finance);
b) the subsidiaries or entities under the joint control of the entities listed at the point above;
c) the subsidiaries, associates or entities under the joint control of Nexi SpA;
d) key management personnel of the Nexi Group and its direct parent and its subsidiaries subject to joint control or significant influence;
e) close family members of the natural persons included under letters a) and d) above;
f) the complementary pension fund established in favour of employees of Nexi SpA or its related entities.

35.1 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 thousand euros)

	Directors	Board of Statutory Auditors	Executives holding strategic responsibility
Corporate bodies remunerations	623	278	-
Short-term benefits	-	-	1,643
Benefits subsequent to the termination of employment	-	-	347
Other long-term benefits	-	-	-
Indemnities for termination of employment	-	-	-
Total	**623**	**278**	**1,990**

35.2 Information on related-party transactions

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

(Amounts in thousand euros)

	Controlling company	Other related parties	Directors, Executives and other Supervisory Bodies
Financial asset measured at amortised cost	-	7,957	-
Tangible assets	-	-	-
Intangible assets	-	781	-
Other assets	-	65,812	-
Financial liabilities measured at amortised cost	-	6,863	-
Other liabilities	-	6,378	-
Fees for services rendered and commission income	-	59,362	-
Fees for services received and commission expense	-	878	-
Interest and similar expense	-	386	-
Other administrative expenses	-	9,293	-
Other operating income/expenses	-	-	3

These contracts are regulated by terms and conditions in line with market terms and conditions.

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

36. Share-Based Payments

36.1 Stock Grant

Mercury UK HoldCo Ltd ("Mercury UK") in 2019 adopted two incentive plans (the "Plans"), based on the shares of Nexi SpA ("Nexi") that ended in 2021.

In addition, during 2020 and 2021, Mercury UK and the other sponsor of Nexi adopted some new incentive plans based on the shares of Nexi SpA ("Nexi") and with a vesting period until April 16, 2022 and July 1, 2024. These plans are reserved for selected employees (the "Beneficiaries") of group companies. These plans provide for additional shares assignable to employees depending on the market price of Nexi shares.

On the basis of the provisions of 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 recognise, 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 at the assignment date;
- recognise 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.

For the 2020 and 2021 plans, fair value was determined, for base shares, considering the forward price, discounted at the valuation date, of Nexi shares at the expiry of the vesting period. 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. In this context, the implicit volatility used was that obtained from info-providers as relevant to Nexi stock options with time-to-maturity set at equal to that of the plan.

Below are the changes in the rights relating to the aforementioned plans:

Description	Number
Outstanding rights to receive shares at the grant date	10,546,916
Rights assigned definitively in accordance with the Plans	(8,965,522)
Rights forfeited from the Plans in 2019 and 2020	(161,833)
Bonuses as at June 30, 2022	**1,419,561**

Based on the above, the overall cost of the Plans for H1 2022 is Euro 11 million.

36.2 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.

At the reporting date, all three cycles of the Plan have been assigned in regard to which a vesting period is envisaged ending respectively on June 30, 2022, December 31, 2022 and December 31, 2023.

More specifically, the process of assigning the rights to receive shares was completed as follows:
- first tranche: for most of the employees, in July 2019, and for employees hired later, on September 30, 2019;
- second tranche: for most of the employees, in July 2020, and for employees hired later, on September 30, 2020;
- third tranche, for most of the employees in July 2021, and for employees hired later, in October 2021. With regard to this tranche, there was also the allocation in January 2022 to former SIA employees.

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 the same applies to the attribution of the related shares to the employee) only upon achieving predetermined business performance objectives, referring to a specific period of time;
- 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 for the three cycles are reported below:

Description	No. of Performance Share Rights	No. of Restricted Share Rights	Total
Outstanding rights to receive shares at the grant date	2,517,833	1,315,735	3,833,568
Forfeited rights in 2019, 2020, 2021 and 2022	(110,186)	(84,157)	(194,343)
Right assigned definitively in accordance with the Plans	(820,194)	(369,126)	(1,189,320)
Outstanding rights at June 30, 2022	**1,587,453**	**862,452**	**2,449,905**

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

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

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

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, 47% for the second tranche and 40% for the third 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, Euro 11.6 for the first tranche, around Euro 25.87 and Euro 25.71 for the second tranche and Euro 20.17, Euro 17.63 and Euro 10.81 for the third tranche (respectively, with reference to the shares issued in July and September 2021 and January 2022).

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, Euro 15.59 and Euro 17.12 for the second and Euro 18.22 and Euro 17.03 for the third tranche (respectively, with reference to the shares issued in July and September).

The total cost pertaining to 2022 is approximately Euro 17.6 million.

37. Business Combinations

37.1 Transactions carried out during the period

Below are the transactions carried out during the period that, falling within the definition of business combinations, have been accounted for in accordance with the provisions of IFRS 3: Business Combinations. Specifically, 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 recognised in the acquiree's financial statements at the date of acquisition) and any liabilities assumed or contingent liabilities are subject to fair value consolidation at the acquisition date. The same applies when recognising the difference between the fair value of the net assets acquired and the consideration transferred as part of the transaction as goodwill.

Acquisition of control of Nexi Payments Greece

As already described in the Management Report, on June 30, 2022 the transaction with Alpha Bank SA was completed through:
- the spin-off by Alpha Bank of its merchant acquiring business to a new entity licensed to operate as a payment institution;
- the purchase by Nexi S.p.A. of a 51% stake in the Newco, which has since been named Nexi Payments Greece, for a cash outlay of Euro 157 million.

With regard to this transaction, the PPA process, as also permitted by IFRS 3, will be completed within 12 months from the date of closing.

The agreement includes, with respect to the price of Euro 157 million, an adjustment mechanism depending on the final determination of the carrying amounts of Nexi Payments Greece. As at June 30, a price adjustment of Euro 5 million was recognised on the basis of the company's equity.
The agreement with Alpha Bank also provides for an earn-out of up to Euro 30.6 million (corresponding to a maximum total amount of Euro 60 million for 100%), contingent upon the achievement of predetermined financial targets within the first four years of the NewCo's operations. This component will be assessed as part of the PPA process.
Provisional goodwill arising from the business combination, pending the PPA process, amounts to approximately Euro 155 million and is composed as follows:

(Amounts in thousand euros)

	Provisional Fair Value
Cash consideration paid	**156,870**
Contingent consideration/deferred price	**5,013**
Minority interests	**6,910**
Cash and cash equivalents	-
Financial assets	204,391
Tangible assets	1,188
Financial liabilities	(186,376)
Other liabilities	(5,101)
Net assets	**14,102**
Goodwill	**154,691**
Cash consideration paid	161,883
Cash acquired	-
Net cash consideration	**161,883**

Acquisition of Orderbird

Through Nets, the Nexi Group in May acquired full ownership of the German company Orderbird, a leading provider of integrated software solutions in the hospitality sector. Nets increased its strategic investment in Orderbird at the end of 2021 (44% as at December 31, 2021) and acquired a controlling stake to further strengthen its commercial services in the hospitality sector. Therefore, the Nexi Group owns 99.53% of Orderbird through Nets, with an aggregate liquidity of approximately Euro 100 million including previous share purchases.

Specifically, considering that this was a "business combination achieved in stages", as required by IFRS 3.47 Nexi reassessed the value of the shares held prior to the acquisition of control. Since these shareholdings had already been revalued as part of the PPA process of the merger with Nets, there were no further adjustments to be made.

The ancillary charges associated with the transaction described were recognised in the income statement at the date the services were rendered. Specifically, the costs incurred in 2021 amount to approximately Euro 1 million.

Currently the price paid has been allocated as follows:
- Software: Euro 9 million
- Brand: Euro 2 million
- Customer contracts/relationships: Euro 13 million.

Residual goodwill amounted to approximately Euro 82 million and was composed as follows:

(Amounts in thousand euros)

	Provisional Fair Value	Adjustment	Final Fair Value
Cash consideration paid	**102,382**	**-**	**102,382**
Contingent consideration/deferred price	**-**	**-**	**-**
Minority interests	**70**	**303**	**373**
Cash and cash equivalents	5,396	-	5,396
Financial assets	158	-	158
Equity investments	-	-	-
Tangible assets	202	-	202
Intangible assets	4,941	24,368	29,309
Tax assets	-	-	-
Other assets	3,284	(700)	2,584
Financial liabilities	(1,000)	-	(1,000)
Tax liabilities	-	(7,061)	(7,061)
Other liabilities	(9,201)	(137)	(9,338)
Net assets	**3,780**	**16,470**	**20,250**
Goodwill	**98,672**	**(16,167)**	**82,505**
Cash consideration paid	102,382	-	102,382
Cash acquired	5,396	-	5,396
Net cash consideration	**96,986**	**-**	**96,986**

Acquisition of Paytec Payment Provider GmbH

As further described in the Management Report, on December 22, 2021, Concardis GmbH signed an agreement to acquire 100% of the share capital of Paytec Payment Provider GmbH for a purchase price of Euro 17.2 million. The transaction was completed on March 31, 2022.

Currently the price paid has been allocated mainly to customer contracts/relationships, the fair value of which has been determined based on the Multi-Period Excess Earnings ("MPEEM") method. However, as at June 30, 2022, the amount of the fair value of the net assets is still provisional, as under the agreement the carrying amount of the entity's net assets is still under review.

The ancillary charges associated with the transaction described were recognised in the income statement at the date the services were rendered and amount to Euro 0.2 million.

The provisional goodwill – also pending the final assessment of the branch's carrying amount – resulting from the business combination amounts to about Euro 1.3 million and is composed as follows:

(Amounts in thousand euros)

	Provisional Fair Value	Adjustment	Provisional Fair Value after Draft PPA
Cash consideration paid	**14,865**	**(478)**	**14,387**
Contingent consideration/deferred price	**-**	**-**	**-**
Minority interests	**-**	**-**	**-**
Cash and cash equivalents	6,459	-	6,459
Financial assets	-	-	-
Equity investments	-	-	-
Tangible assets	484	-	484
Intangible assets	7,661	2,139	9,800
Tax assets	-	(2,500)	(2,500)
Other assets	359	(300)	59
Due to banks	-	-	-
Financial liabilities	-	-	-
Other liabilities	(1,015)	(200)	(1,215)
Net assets	**13,948**	**(861)**	**13,087**
Goodwill	**917**	**383**	**1,300**
Cash consideration paid	14,865	(478)	14,387
Cash acquired	6,459	-	6,459
Net cash consideration	**8,406**	**(478)**	**7,928**

37.2 Retrospective adjustments

In the interim report as at June 30, 2022, the PPA process was completed with respect to the merger of Nets Topco 2 S.à.r.l, the Luxembourg holding company of the Nets Group, whose legal, fiscal and accounting effects took effect on July 1, 2021.

This process requires the acquirer to allocate the cost of the combination to the identifiable assets acquired, including any intangible assets not recognised in the financial statements of the acquiree, to the liabilities assumed measured at their fair values at the acquisition date, and to recognise the value of non-controlling interests in the acquired entity.

The PPA process led to the identification of the following adjustments to the carrying amounts of the assets and liabilities of the acquired company:

(Amounts in million euros)

Customer Contract/Customer Relationship	1,621.0
Software	643.4
Brand	59.3
Additional provision	(21.0)
Equity investments	4.0
Deferred taxes	446.2

The fair values of the above intangible assets were determined, with the support of an independent expert, using an income approach. Specifically:

- Customer contacts/relationships for the Nets Group's Merchant Services & Solutions and Cards & Digital Payments businesses: the fair value was estimated using the MPEEM method, which derives the value of customer relationships on the basis of the present value of the extra income attributable to the customer relationships over the remaining life of the relationships. Extra income from customer relationships is derived from total income by deducting contributory assets and adding the costs for the acquisition of new customers (which do not constitute costs pertaining to the customer base existing at the date of the PPA process). The assumptions and parameters used include the estimate of the annual income flows per individual business (including revenues and attributable profits, rates of attrition per business, applicable tax rates and charges relating to contributory assets, among other factors), the discount rates for discounting the flows deducted, based on the weighted average cost of capital (WACC), an assessment of the life cycle of customer relations and the tax amortisation benefit.
- Software: fair value was estimated on the basis of a simplified income approach that took into account both the carrying amount at the acquisition date of capitalised costs (including those related to software acquired from third parties) and the net present value (NPV) of ongoing projects for the development of new technology platforms. The assumptions and parameters used include the estimated differential cash flows of each project, the discount rate based on the weighted average cost of capital (WACC), a life cycle assessment and the tax amortisation benefit.
- Brand: the fair value of the Nets brand was estimated using the RFR criterion, which determines the value on the basis of the present value of the income derived from the brand, estimated as the product of a royalty rate reconstructed on the basis of implicit rates in comparable PPAs (business combination pursuant to IFRS 3) and the value of the revenues of the geographical areas in which the brand operates. The assumptions and parameters used include estimated annual net income (including appropriate revenues attributable to the business, the applicable tax rate and royalty rate), the discount rate based on the weighted average cost of capital (WACC), a life cycle assessment and the tax amortisation benefit.

The aforementioned intangible assets have an average useful life of about 7-13 years with regard to customer relationships, about 7 years for software and about 5 years for the Nets brand.

Contingent liabilities were estimated on the basis of information available at the date.
The adjustment related to Equity Investments refers to the revaluation of the investment in Orderbird, determined by taking into account the fair value resulting from the transaction completed in 2022 relating to the acquisition of control of the company by the Nexi Group.

These values replace those previously accounted for by Nets, as a result of the PPA processes previously accounted for by the Nets Sub-Group, which were consequently written off for a total value (net of the related deferred taxes) of Euro 993.7 million.

Finally, the assets identified above and the residual goodwill were allocated in the functional currencies of the businesses comprising the Nets Group using methods consistent with those used for the valuation of the assets, taking into account, in particular, the contribution of the different geographical areas of operation of the Nets Group.

The residual goodwill from the business combination amounts to approximately Euro 7,370.1 million, broken down as shown in the table below, and is mainly attributable to the highly qualified workforce and know-how of the Nets Group. It also reflects the expected synergies to be obtained from the integration of Nets' activities into the Nexi Group.

(Amounts in thousand euros)

	Provisional Fair Value	PPA Adjustment	Final Fair Value
Cash consideration paid	**7,051,352**	**-**	**7,051,352**
Contingent consideration/deferred price	**-**	**-**	**-**
Minority interests	**-**	**-**	**-**
Cash and cash equivalents	1,116	-	1,116
Financial assets	1,709,718	-	1,709,718
Equity investments	41,031	4,000	45,031
Tangible assets	171,868	-	171,868
Intangible assets	1,176,619	1,147,022	2,323,641
Tax assets	49,708	4,784	54,492
Other assets	242,535	-	242,535
Financial liabilities	(3,683,709)	-	(3,683,709)
Tax liabilities	(392,044)	(268,030)	(660,074)
Other liabilities	(484,369)	(21,040)	(505,409)
Equity attributable to non-controlling interests	(17,929)	-	(17,929)
Net assets	**(1,185,456)**	**866,736**	**(318,720)**
Goodwill	**8,236,808**	**(866,736)**	**7,370,072**

37.3 TRANSACTIONS AFTER THE REPORTING DATE

There were no transactions after the reporting date.

38. Group funding transactions

As highlighted in the Management Report, during the first half of the year the Group's financial structure changed as a result of the repayment of the bank debt resulting from the merger with SIA and the signing of a bank loan agreement with BPER Banca SpA.
The following is a summary of the accounting impacts deriving from the refinancing transactions executed during the period.

BPER CREDIT LINE

On June 29, 2022 Nexi SpA signed a variable rate bank loan agreement governed by Italian law pursuant to which BPER Banca SpA granted an unsecured credit line for a total amount of Euro 50 million (the "BPER Credit Line"), fully available and not used at June 30, 2022.
The BPER Credit Line is to be repaid in a lump sum on April 30, 2026.

COVENANTS AND OTHER GUARANTEES LINKED TO FUNDING TRANSACTIONS

In line with financing transactions of a similar complexity and nature, the Nexi Group's financial indebtedness is characterised by clauses containing commitments, limitations (including negative pledge clauses) and restrictions, representations and warranties, as well as cases of early repayment (in whole or in part), and events of default linked to contractual breaches.

Obligations include:
- financial maintenance covenant: at each "test date" (i.e. June 30 and December 31 of each year), compliance with a financial leverage ratio at consolidated level (essentially the "leverage ratio", the ratio of net debt and consolidated LTM – last twelve months – EBITDA), that will be tested with respect to the consolidated financial statements and consolidated interim financial statements and must not exceed the specific periodic thresholds indicated in the contracts of the IPO Loan, the Term Loan, the BBPM Credit Line and the BPER Credit Line;
- negative pledge: Nexi SpA must abstain from establishing or allowing for the maintenance (and must ensure that no other member of the Nexi Group establishes or maintains) liens or collateral against its assets, with the exception of certain expressly permitted guarantees and restrictions;
- prohibition against dispositive actions related to assets (sales, leases, transfers or other dispositive actions), except as
- expressly permitted under the relevant agreements.

At June 30, 2022 all the obligations envisaged in the loan agreements described above have been met.

39 . Earnings per Share

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

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

BASIC EARNINGS PER SHARE

	I Half 2022	I Half 2021
Profit from continuing operations attributable to the company's ordinary shares	0.07	0.08
Income (Loss) after tax from discontinued operations	0.00	(0.00)
Total Basic earnings per share attributable to the company's ordinary shares	**0.07**	**0.08**

DILUTED EARNINGS PER SHARE

	I Half 2022	I Half 2021
Profit from continuing operations attributable to the company's ordinary shares	0.06	0.07
Income (Loss) after tax from discontinued operations	0.00	(0.00)
Total Diluted earnings per share attributable to the company's ordinary shares	**0.06**	**0.07**

RESULT ATTRIBUTABLE 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.

(Amounts in thousand euros)

	I Half 2022	I Half 2021
Profit from continuing operations	86,211	49,906
Income (Loss) after tax from discontinued operations	4,224	(37)
Total net income	**90,435**	**49,870**

AVERAGE NUMBER OF ORDINARY DILUTED SHARES

The average number of outstanding shares used for the calculation of diluted earnings includes the effects of future potential Issues of shares in service to the LTI Plan (for the tranches already allocated to employees) and of Convertible Bond Loans issued.

(Amounts in share thousand)

	I Half 2022	I Half 2021
Average number of ordinary shares used to compute basic earnings per share	1,310,144	627,698
Deferred Shares (*)	69,818	58,206
Average number of ordinary and potential shares used to compute diluted earnings per share	**1,379,962**	**685,904**

(*) = shares attributed to employees according to the first tranche of LTI Plan and potential shares in issue upon conversion of the convertible bond loan issued June 29, 2020 and February 17, 2021.

40. Segment reporting

Segment reporting has been prepared in compliance with IFRS 8.

The disclosure by business segment reflects the organisational and business structure with which the Nexi Group operated during the period. The comparative data shown below refers to pro forma data that is consistent with that stated in the Management Report.

Consistent with the current method of reporting to management, two business segments are envisaged at the current stage of integration of the new group companies: Italy and International both in the single segment that the Group operates in, namely electronic money and payment services. 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 & Corporate Solutions

The geographical breakdown of revenues is also provided. Allocation of the financial results to the various business lines is based on the accounting policies used in the preparation and presentation of the Consolidated Financial Statements.

The tables below thus provide a net revenue breakdown by business lines, since the current structure does not require specific allocations by service line at the equity level.

Note 40.2 presents a reconciliation of the income statement drafted by means of segment reporting 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.

40.1 SEGMENT REPORTING: INCOME STATEMENT FOR THE PERIOD

(Amounts in million euros)

	Italy	Rest of Europe	Total segment reporting
Merchant Services & Solutions	374	424	798
Cards & Digital Payments	314	169	483
Digital Banking & Corporate Solutions	136	80	216
Operating revenues	**825**	**672**	**1,496**
Personnel expenses			(376)
Administrative expenses			(433)
Adjustments and net operating provisions			3
Operating costs			**(806)**
EBITDA			**691**
Amortization and depreciation			(223)
Operating margin			**468**
Amortization and depreciation (Customer contracts)			(128)
Interests financing costs			(73)
Non-recurring items			(99)
Profit before taxes			**167**
Income taxes			(77)
Profit for the period			**90**
Profit for the period attributable to non-controlling interests			(1)
Profit attributable to the Group			**89**

The EBITDA presented above is the "normalised EBITDA" as described in the "Alternative Performance Indicators" section of the Management Report.

The breakdown of revenues by geographical segment is as follows:

(Amounts in million euros)

	Italy	Nordics	DACH and Poland (*)	Other countries	Total
Merchant Services & Solutions	374	197	204	23	798
Cards & Digital Payments	314	85	18	66	483
Digital Banking & Corporate Solutions	136	44	2	34	216
Total Operating Revenues	**825**	**326**	**223**	**123**	**1,496**

(*) DACH includes Germany, Austria and Switzerland.

40.2 SEGMENT REPORTING: RECONCILIATION OF THE INCOME STATEMENT SEGMENT REPORTING WITH THE INCOME STATEMENT FOR THE PERIOD

(Amounts in million euros)

	Total segment reporting	Reconciliation	Financial statements
Operating revenues/Financial and operating income	**1,496**	**(61)**	**1,435**
Personnel expenses	(376)	(43)	(419)
Other administrative expenses	(433)	(76)	(508)
Adjustments and net operating provisions	3	(2)	1
Operating costs net of amortization	**(806)**	**(121)**	**(927)**
EBITDA	**691**	**(183)**	**508**
Amortization and depreciation	(223)	(126)	(349)
Operating margin	**468**	**(309)**	**159**
Amortization and depreciation (Customer contracts)	(128)	128	-
Interest and financial costs	(73)	73	-
Non-recurring items	(99)	107	8
Profit before taxes	**167**	**-**	**167**
Income taxes	(77)	-	(77)
Profit for the period	**90**	**-**	**90**
Profit for the period attributable to non-controlling interests	(1)	-	(1)
Profit attributable to the Group	**89**	**-**	**89**

41. Restatement of the 2021 financial statements

2019 saw the completion of the PPA process associated with the business combination involving the acquisition of the Nets Group on July 1, 2021. As required by IFRS 3, the Group recognised the adjustments to the provisional amounts shown above as if the recognition of the business combination had been completed at the acquisition date, and then adjusted the comparative information for 2021.

The effects on the 2021 financial statements are shown below:

(Amounts in thousand euros)

	Dec. 31, 2021	Restatement	Dec. 31, 2021 Restated
Cash and cash equivalents	1,546,116	-	1,546,116
Financial assets at Fair Value	74,508	-	74,508
Financial assets measured at amortised cost:	3,398,230	-	3,398,230
a) loans and receivables with banks	1,595,782	-	1,595,782
b) loans and receivables with financial entities and customers	1,802,448	-	1,802,448
Equity investments	59,779	4,000	63,779
Tangible assets	549,532	-	549,532
Intangible assets	17,230,476	259,383	17,489,859
of which: Goodwill	14,831,647	(869,263)	13,962,384
Tax assets	232,956	4,784	237,740
a) current	25,080	-	25,080
b) deferred	207,876	4,784	212,660
Non-current assets held for sale and discontinued operations	1,790	-	1,790
Other assets	1,275,150	-	1,275,150
Total assets	**24,368,537**	**268,167**	**24,636,704**

	Dec. 31, 2021	Restatement	Dec. 31, 2021 Restated
Financial liabilities measured at amortised cost	9,912,122	-	9,912,122
a) due to banks	3,649,309	-	3,649,309
b) due to financial entities and customers	1,813,534	-	1,813,534
c) securities issued	4,449,279	-	4,449,279
Financial liabilities at Fair Value through profit or loss	168,529	-	168,529
Tax liabilities	478,126	264,350	742,476
a) current	47,571	-	47,571
b) deferred	430,555	264,350	694,905
Liabilities associated with non-current assets held for sale and discontinued operations	641	-	641
Other liabilities	1,284,285	-	1,284,285
Post-employment benefits	39,847	-	39,847
Provisions for risks and charges	159,596	21,040	180,636
Share capital	118,452	-	118,452
Treasury shares (-)	(4,493)	-	(4,493)
Share premium	11,587,260	-	11,587,260
Reserves	523,080	-	523,080
Valuation reserves	41,448	(4,719)	36,729
Profit (loss) for the period	50,233	(12,504)	37,729
Equity attributable to non-controlling interests (+/-)	9,411	-	9,411
Total liabilities and equity	**24,368,537**	**268,167**	**24,636,704**

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

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

1. The undersigned Paolo Bertoluzzo, as Chief Executive Officer, and Enrico Marchini, as Financial Reporting Manager of Nexi S.p.A., pursuant also to provisions under art. 154-bis, par. 3 and 4, of Legislative Decree no. 58 dated February 24th, 1998, hereby certify as to:
   - the adequacy with respect to the nature of company, and
   - the effective application

of the administrative and accounting procedures adopted in the drafting of the condensed consolidated interim financial statements as at June 30th, 2022.

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

3. We also certify that:

3.1 the condensed consolidated interim financial statements:

a) were drafted pursuant to the international accounting standards applicable within the European Union pursuant to the Regulation (EC) No. 1606/2002 of the European Council and of the Council dated July 19th, 2002, and more specifically pursuant IAS 34;
b) are true to accounting records and entries;
c) are suitable to providing a truthful and accurate representation of the assets and liabilities, financial position and profit or loss of both the issuer and the consolidated companies;

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

Milan, July 29th, 2022

Paolo Bertoluzzo
(Chief Executive Officer)

Enrico Marchini
(Financial Reporting Manager)


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REPORT OF THE INDEPENDENT AUDITORS ON THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

REVIEW REPORT ON CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF 30 JUNE 2022

NEXI SPA

REVIEW REPORT ON CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

To the shareholders of
Nexi SpA

Foreword

We have reviewed the accompanying condensed consolidated interim financial statements of Nexi SpA and its subsidiaries (the Nexi Group) as of 30 June 2022, comprising the balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and related notes. The directors are responsible for the preparation of the condensed consolidated interim financial statements in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these consolidated condensed interim financial statements based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements of Nexi Group as of 30 June 2022 are not prepared, in all material respects, in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Milan, 5 August 2022

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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