

Condensed consolidated interim financial statements

At and for the nine months period
ended September 30, 2020 and 2019

SISALPAY GROUP S.p.A.

SisalPay Group S.p.A.

Share capital: Euro 10,050,000.00 fully paid-in. – R.E.A. of Milan no.: 2527401

Tax code, VAT no. and Milan, Monza-Brianza and Lodi Registry of Companies - Ordinary section no.: 10387140964

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Management Discussion & Analysis

SisalPay Group Profile

SisalPay Group S.p.A. group (hereafter the “**Group**” or “**SisalPay**”) is a company incorporated in Italy, with registered and administrative offices in Milan, in Via di Tocqueville 13, organized under the laws of the Republic of Italy. The current name and legal form of the Company was adopted in December 2019. Previously, the Company was called Sisal Pay S.p.A.

The Company and its subsidiaries operate principally in the collection and payment services sector, both the segment of services requiring specific authorization of the Bank of Italy, and in the segment of other non-supervised services such as the marketing of top-ups for telephone and TV content.

At the end of July 2019, the Sisal Group concluded an important strategic agreement with Banca 5 S.p.A. to combine their respective payment services businesses through a series of corporate transactions, in order to create a group leader in the sector of payment services distributed through proximity banking and digital banking channels throughout Italy. As a result, starting from the operational closing of the complex operation on December 13, 2019, these businesses are managed by the two operational companies SisalPay Servizi S.p.A. and SisalPay S.p.A. (the latter is an e-money institute subject to supervision by the Bank of Italy), both 100%-owned by SisalPay Group S.p.A.

The Company is controlled by Sisal Group S.p.A., which owns 70% of the shares comprising the Company’s share capital.

The corporate purpose of Sisal Group S.p.A. includes holding investments and managing centralized services and contracts for the group it controls, following the assignment of the business segment pertaining to the management of collection and payment services, finalized in December 2019. Its registered office is located in Via A. di Tocqueville 13, Milan, Italy.

The minority shareholder that owns the remaining 30% of the shares comprising the share capital of the Company is Banca 5 S.p.A, an Italian bank that provides banking services as well as collection and payment services to resellers of products under Italian state monopoly and tobacconists. It is part of the Intesa Sanpaolo Group. Its registered office is located: Via Bisceglie 120 - 20152 Milan, Italy.

Due to the timing of formation of the Group following the finalization at the end of 2019 of the above mentioned extraordinary operation, as far as the Statements of Comprehensive Income and Cash Flows for the nine months ended September 30, 2019 are concerned, the reported data refer exclusively to the actual results recorded in the previous year by the Company itself (almost equal to nil being the Company not yet operational in that period), while the Statement of Financial Position at December 31, 2019 is related to the Group.

Key Factors affecting operations in the nine months ended September 30, 2020

In the first nine months 2020, the Italian GDP was significantly down 10.6%¹ compared to the same period of last year. In the first nine months 2020, the Group recorded €10.3 billion turnover, down 15.9% compared to the same period of last year; these negative trends mainly reflect Covid 19 impact.

With regard to Covid 19 emergency, the Group has launched a series of initiatives aimed at guaranteeing the protection of employee health, protecting the business and fundraising for the Italian Civil Protection combined with direct donation programs in favour of leading non-profit organizations.

In particular, work activities carried out in smart-working mode have been increased, travel has been limited and the cleaning activities in the workplace have been strengthened.

¹ Istat data

To protect the business, a plan was launched to ensure business continuity with the aim of improving technological solutions for remote access to company applications and meeting management. SisalPay has also put in place several initiatives to support its affiliated merchants and sustain volumes as:

- launch of new products enriching merchants' portfolio
- increase number of PoS permitted to sell the Group branded prepaid card
- support on technical issues also leveraging commercial salesforce
- postponement to H2 of Merchants Services payments due in April and May for the entire network and distribution of protective masks to retail PoS, by prioritizing the ones remained open.

With regard to the impacts on the reference market, starting in mid-March 2020 the emergency resulted in the partial closing of the physical distribution network through which the Company operates (closing of the bar channel, while the tobacconists channel remained operational), which, in any event, allowed the Group to limit the impacts of the lock down, compared to other sectors. Even in the existing situation of uncertainty, further highlighted by partial lock down regulations recently issued by Italian Authorities, the liquidity of the Group is such as to ensure normal operations, and does not give rise to areas of concern, thanks also to the capacity of SisalPay to leverage its structurally negative working capital and strong cash conversion. By the way the Group opted prudentially to draw at the end of March available RCF in full, but, as far as business volumes have been returning to almost normal level during the second quarter, it was possible to reduce the short term borrowings for €37 million at September 30, 2020.

Full P&L results

The following table sets forth our full P&L results:

<i>(€ in millions)</i>	Nine months ended September 30,		
	2019	2020	% of total revenues and income
Revenues	-	226.6	100.0%
Other revenues and income	-	0.1	0.0%
Total revenues and income	-	226.7	100.0%
Purchases of materials, consumables and merchandise	-	1.8	0.8%
Costs for services	-	162.2	71.5%
Lease and rent expenses	-	0.2	0.1%
Personnel costs	-	15.8	7.0%
Other operating costs	-	4.0	1.8%
Amortization, depreciation, provisions and impairment losses and reversals	-	29.7	13.1%
Net operating profit (EBIT)	-	12.8	5.6%
Finance income and similar	-	-	0.0%
Finance expenses and similar	-	39.4	17.4%
Profit (loss) before income taxes	-	(26.6)	-11.7%
Income taxes	-	(6.8)	-3.0%
Total profit (loss) for the period	-	(19.8)	-8.7%

Revenues and income

The following table sets forth our revenues and income for the periods indicated in absolute numbers and as a percentage of total revenues and income:

<i>(€ in millions)</i>	Nine months ended September 30,		
	2019	2020	% of total revenues and income
Payments and other services revenues	-	184.8	81.5%
Merchant services and others	-	41.8	18.5%
Total	-	226.7	100.0%

Revenues and income, amounted to €226.7 million for the nine months ended September 30, 2020. Revenues results are composed by Payments and other services revenues, detailed in the following table, and Merchant services and others, mainly related to a B2B offering of technology infrastructure and solutions to our PoS partners. As a percentage of Total revenues and income, Payments and other services revenues amounted to 81.5% for the nine months ended September 30, 2020 while Merchant services and others revenues amounted to 18.5%.

Payments and other services revenues

The following table sets forth our Payments and other services revenues for the periods indicated:

<i>(€ in millions)</i>	Nine months ended September 30,		
	2019	2020	% of total revenues and income
Bill Payments revenues	-	142.2	62.7%
Prepaid cards revenues	-	8.9	3.9%
Telco revenues	-	20.5	9.0%
Banking products and services revenues	-	7.8	3.4%
Mobility revenues	-	1.4	0.6%
Other products revenues	-	4.1	1.8%
Total	-	184.8	81.5%

The overall Payments and other services revenues amounted to €184.8 million for the nine months ended September 30, 2020.

Payments and other services revenues are composed by:

- Bill Payments revenues: payments of various types of bills, including utilities, fines, taxes and subscription; bill payments include PagoPA, a platform that provides consumers with a convenient way to make electronic payments owed to certain Italian central and local public administration.
- Prepaid cards revenues: issuance and top-up of own-branded prepaid debit cards and top-up services for our partners' prepaid debit cards.
- Telco revenues: top-ups, including, mobile phones, pay-per-view TV cards, and e-commerce accounts.
- Banking products and services revenues: a B2B, B2C and B2B2C offering of products and services, including cash withdrawals and deposits, bank accounts, bank transfers and personal and business lending and insurance products.
- Mobility revenues: ticketing distribution and related sw development revenues related to Pluservice group acquisition completed end of July.
- Other products revenues: mainly related to railways ticket distribution and other tops ups like shopping online vouchers

Costs

Purchases of materials, consumables and merchandise

Purchases of materials, consumables and merchandise amounted to €1.8 million for the nine months ended September 30, 2020, mainly related to the purchase and consumption of the paper rolls used by the payment terminals.

Costs for services

Costs for services amounted to €162.2 million for the nine months ended September 30, 2020, equal to 71.5% as a percentage of Total revenues and income.

The following table sets forth an analysis of costs for services for the indicated periods:

Nine months ended September 30,

<i>(€ in millions)</i>	2019	2020	% of total revenues and income
Sales channel- payments services	-	119.1	52.6%
Commercial services	-	4.7	2.1%
Consulting	-	6.1	2.7%
Others services costs	-	32.2	14.2%
Total cost for services	-	162.2	71.5%

Cost of services are composed by the following items:

- *Sales channel – payments services* amounting to €119.1 million for the nine months ended September 30, 2020. As a percentage of Total revenues and income, sales channel payments services amounted to 52.6% for the nine months ended September 30, 2020. This cost item is related to the remuneration of PoS network, mainly related to Bill Payments and Telco revenues.
- *Commercial services* amounting to €4.7 million for the nine months ended September 30, 2020. As a percentage of Total revenues and income, Commercial services amounted to 2.1% for the nine months ended September 30, 2020. This cost item is mainly related to marketing and advertising and residually to other commercial initiatives.
- *Consulting* amounting to €6.1 million for the nine months ended September 30, 2020. As a percentage of Total revenues and income, Consulting amounted to 2.7% for the nine months ended September 30, 2020.
- *Other services costs* amounting to €32.2 million for the nine months ended September 30, 2020. As a percentage of Total revenues and income, Other services costs amounted to 14.2% for the nine months ended September 30, 2020. Other services costs are mainly related to Bank fees, outsourcing costs, maintenance fees and other expenses.

Personnel costs

Personnel costs amounted to €15.8 million for the nine months ended September 30, 2020. As a percentage of Total revenues and income, Personnel costs amounted to 7.0% for the nine months ended September 30, 2020. No personnel were hired by the Company in the first nine months ended September 30, 2019.

Other operating costs

Other operating costs amounted to €4.0 million for the nine months ended September 30, 2020. As a percentage of Total revenues and income, Other operating costs amounted to 1.8% for the nine months ended September 30, 2020.

Amortization, depreciation, provisions and impairment losses and reversals

Amortization, depreciation, provisions and impairment losses and reversals amounted to €29.7 million for the nine months ended September 30, 2020. As a percentage of total revenues and income, Amortization, depreciation, provisions and impairment losses and reversals amounted to 13.1% for the nine months ended September 30, 2020 and are mainly related to Amortization and depreciation of intangible and tangible assets for total €27.2 million and to impairment of receivables for the residual amount.

Net operating profit (EBIT)

Net operating profit (EBIT) amounted to €12.8 million for the nine months ended September 30, 2020.

Net margin was 5.6% for the nine months ended September 30, 2020, compared to 4.4% for the first six months ended June 30, 2020.

Such a performance was mainly driven by revenues and costs trends as commented above.

Finance expenses and similar

Finance expenses and similar amounted to €39.4 million for the nine months ended September 30, 2020. As a percentage of Total revenues and income, Finance expenses and similar amounted to 17.4% for the nine months ended September 30, 2020. Finance expenses and similar are almost equally referred to related parties (Sisal Group S.p.A. and Banca 5 S.p.A., in connection with the deferred payments agreements subscribed by the Company at the end of 2019) and to third parties (manly represented by the senior secured notes holders).

Income taxes

Income taxes amounted to €-6.8 million for the nine months ended September 30, 2020, in line with related taxable income of the Group.

Liquidity and Working capital

The following table sets forth our changes in working capital for the periods indicated:

Movements in working capital are generally connected to timing of cash collections and business turnover trends. The overall cash absorption in the first nine months 2020 is by the way mainly due to the movements in other assets and liabilities, mainly referred to the liquidation in the month of February of the business contributions settlements for about €56 million in favour of Sisal Group and Banca 5, as per the related signed agreements.

<i>(€ in millions)</i>	Nine months ended September 30,	
	2019	2020
Movements in trade receivables	-	(43.8)
Movements in inventories	-	2.9
Movements in trade payables	-	41.7
Movements in trade working capital	-	0.7
Movements in other assets and liabilities	-	(51.3)
Total movements in working capital	-	(50.5)

Cash flows

The following table sets forth a summary of our cash flow statement for the periods indicated:

<i>(€ in millions)</i>	Nine months ended September 30,	
	2019	2020
Cash provided by operations before changes in working capital, interest and taxes	-	42.6
Tax paid	-	(0.2)
Changes in working capital	-	(50.5)
Cash flows provided by (used in) operating activities	-	(8.1)
Cash flows provided by (used in) investing activities	-	(19.1)
Cash flows provided by (used in) financing activities	-	25.9
Increase/(Decrease) in cash and cash equivalents	0.0	(1.4)
Net cash at the beginning of the period	0.1	69.5
Net cash at the end of the period	0.1	68.2

Cash used by operating activities amounted to €8.1 million for the nine months ended September 30, 2020. The movement is mainly driven by the trend in working capital as commented above while cash provided by operations

before changes in working capital, interest and taxes amounted to €42.6 million.

Cash flows used in investing activities amounted to €19.1 million for the nine months ended September 30, 2020, mainly due to investments in intangible assets.

Cash flows provided by financing activities amounted to €25.9 million for the nine months ended September 30, 2020. The cash flows related to financing activities for the nine months ended September 30, 2020 included net interest and related expenses payments for €23.6 million. In addition, 2020 cash flows include net usage of revolving facilities for €55.5 million, with a net reimbursement of these facilities in the third quarter for €12.0 million. In the nine months ended September 30, 2020 are also reflected repayments for about €1.1 million of financial liabilities accounted for in application of the accounting standard IFRS 16.

Capital Resources

The following table sets forth the amounts of our external debt (principal amounts plus accrued interest for the reference period) at December 31, 2019 and September 30, 2020. Subordinated shareholders loans are not included:

<i>(€ in millions)</i>	As of December 31, 2019	As of September 30, 2020
Senior revolving Facility	5.0	55.5
Senior Secured notes	530.8	530.7
Other financial liabilities	7.1	11.2
Total external financial liabilities	542.8	597.4

Other Financial Information

<i>(€ in millions)</i>	Nine months ended September 30,	
	2019	2020
EBITDA ⁽¹⁾	-	42.5
Non recurring items	-	15.0
Adjusted EBITDA ⁽²⁾	-	57.5
Adjusted EBITDA margin ⁽³⁾		25.4%

(1) We define EBITDA as profit (or loss) for the period plus net finance expenses and similar, income taxes, depreciation, amortization and impairments, provisions and impairments of receivables. EBITDA is a non-IFRS measure. The following table sets forth a reconciliation between the profit for the period and the EBITDA.

(2) We define Adjusted EBITDA as EBITDA adjusted for the effect of non-recurring items and provisions related to disputes with regulatory bodies.

(3) We define Adjusted EBITDA margin as Adjusted EBITDA divided by total revenues and income.

<i>(€ in millions)</i>	Nine months ended September 30,	
	2019	2020
Profit/(loss) for the period	-	(19.8)
Net finance expense and similar	-	39.4
Income taxes	-	(6.8)
Amortisation, depreciation, provisions and impairments	-	27.3
Impairment of receivables	-	2.5
EBITDA	-	42.5

<i>(€ in millions)</i>	As of December 31,	As of September 30,
	2019	2020
Unrestricted cash ⁽⁴⁾	69.5	68.2
SISALPAY GROUP net senior secured debt ⁽⁵⁾	466.3	518.0

(4) Unrestricted cash represents cash and cash equivalents that do not include restricted cash relating to bank accounts managed by the Group but for which the cash is restricted to the payment of partners and customers according to PSD2 regulation.

(5) SisalPay Group Group net senior secured debt consist of the amount due under the Senior Secured Facilities and the senior secured notes, less unrestricted cash. Net senior secured debt does not include debt under finance leases, and other sundry financial.

SISALPAY GROUP S.P.A.
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND SEPTEMBER 30, 2019

<i>(in Euro thousands)</i>	<i>Notes</i>	For the nine months ended September 30,		For the three months ended September 30,	
		2020	2019	2020	2019
Revenues	8	226,606	0	77,448	0
<i>of which related parties</i>		28,204	0	8,807	0
Other revenues and income		72	0	71	0
Total revenues and income		226,678	0	77,519	0
Purchases of materials, consumables and merchandise		1,847	0	684	0
<i>of which non-recurring</i>	20	452	0	226	0
Costs for services		162,221	18	53,738	6
<i>of which related parties</i>	17	4,045	0	977	0
<i>of which non-recurring</i>	18	12,948	0	3,493	0
Lease and rent expenses		220	0	181	0
Personnel costs		15,838	0	4,535	0
<i>of which related parties</i>	17	1,466	0	636	0
<i>of which non-recurring</i>	20	197	0	0	0
Other operating costs		3,991	5	976	0
<i>of which non-recurring</i>	18	1,376	0	401	0
Amortisation, depreciation, provisions and impairment losses and reversals		29,722	0	11,113	0
Net operating profit (EBIT)		12,839	(23)	6,291	(6)
Finance income and similar		1	0	0	0
Finance expenses and similar	9	39,403	0	13,281	0
<i>of which related parties</i>	17	19,591	0	6,578	0
Profit (loss) before income taxes		(26,564)	(23)	(6,990)	(6)
Income taxes		(6,805)	0	(2,003)	0
Profit (loss) for the period		(19,759)	(23)	(4,987)	(6)
Attributable to non-controlling interest		(20)	0	(20)	0
Attributable to owner of the parent		(19,739)	(23)	(4,967)	(6)
Other comprehensive income:		0	0	0	0
<i>Other comprehensive income that will not be subsequently reclassified to the income statement:</i>					
Remeasurement of defined benefit plans		0	0	0	0
Tax effect		0	0	0	0
Total comprehensive profit (loss) for the period		(19,759)	(23)	(4,987)	(6)
Attributable to non-controlling interest		(20)	0	(20)	0
Attributable to owner of the parent		(19,739)	(23)	(4,967)	(6)

SISALPAY GROUP S.P.A.
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT SEPTEMBER 30, 2020 AND DECEMBER 31, 2019

<i>(in Euro thousands)</i>	<i>Notes</i>	At September 30, 2020	At December 31, 2019
A) NON-CURRENT ASSETS			
Property, Plant and Equipment	10	58,753	67,178
Goodwill	11	555,638	546,843
Intangible assets	10	91,192	76,569
Investments accounted for using the equity method		0	3,309
Deferred tax assets		10,546	3,245
Other non-current assets		1,784	1,381
Total non-current assets		717,913	698,524
B) CURRENT ASSETS			
Inventories		3,667	5,457
Trade receivables		120,372	72,686
<i>of which related parties</i>		<i>84,158</i>	<i>56,739</i>
Current financial assets		0	0
Taxes receivable		216	157
Restricted bank deposits	12	29,491	17,192
Cash and cash equivalents	13	68,195	69,549
Other current assets		6,309	3,106
<i>of which related parties</i>		<i>253</i>	<i>647</i>
Total current assets		228,250	168,147
TOTAL ASSETS		946,163	866,672
A) EQUITY			
Share capital	14	10,050	10,050
Share premium reserve		77,485	77,485
Other reserves		(301,689)	(296,563)
Profit (Loss) for the year		(19,739)	(5,126)
Total equity attributable to owners of the Parent		(233,893)	(214,154)
Equity attributable to non-controlling interests		3,770	0
Total equity		(230,123)	(214,154)
B) NON-CURRENT LIABILITIES			
Long-term debt	15	819,883	797,044
<i>of which related parties</i>		<i>306,667</i>	<i>286,858</i>
Provision for employee severance indemnities		5,445	2,736
Deferred tax liabilities		20,493	20,041
Provisions for risks and charges	16	229	294
Other non-current liabilities		0	0
Total non-current liabilities		846,050	820,115
C) CURRENT LIABILITIES			
Trade and other payables		233,626	183,796
<i>of which related parties</i>		<i>7,838</i>	<i>1,159</i>
Short-term debt	15	57,612	5,693
Current portion of long-term debt	15	4,564	2,879
<i>of which related parties</i>		<i>845</i>	<i>0</i>
Taxation payable		1,986	195
Other current liabilities		32,448	68,148
<i>of which related parties</i>	17	<i>704</i>	<i>58,223</i>
Total current liabilities		330,236	260,711
TOTAL LIABILITIES AND EQUITY		946,163	866,672

SISALPAY GROUP S.P.A.
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND SEPTEMBER 30, 2019

	For the nine months ended September 30,	
<i>(In Euro thousands)</i>	2020	2019
Profit (loss) for the period before income taxes	(26,564)	(23)
Amortization and depreciation	27,257	0
Impairment of current receivables	2,466	0
Finance (income) expenses	39,403	0
Net cash generated from operating activities before changes in working capital, interest and taxes	42,562	(23)
Changes in trade receivables	(43,778)	0
Changes in inventories	2,865	0
Changes in trade payables	41,650	2
Change in other assets and liabilities	(51,283)	2
Taxes (paid)/reimbursed	(161)	0
Net cash generated from operating activities	(8,145)	(19)
Increase in property, plant and equipment	(3,040)	0
Increase in intangible assets	(13,769)	0
(Increase) decrease in other non-current assets	(49)	0
Acquisitions (net of cash)	(2,226)	0
Net cash used in investing activities	(19,084)	0
decrease in medium-/long-term debt	(233)	0
decrease in lease payables	(1,090)	0
Increase (decrease) in short-term debt	50,769	0
Net interest paid	(23,571)	0
Net cash used in financing activities	25,875	30
Net change in cash and cash equivalents	(1,354)	11
Net cash at the beginning of the period	69,549	50
Net cash at the end of the period	68,195	61

SISALPAY GROUP S.P.A.
CONDENSED CONSOLIDATED STATEMENT OF CHANGE IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND SEPTEMBER 30, 2019

<i>(in Euro thousands)</i>	Share capital	Legal reserve	Share premium reserve	Other reserves	Profit (Loss) for the year	Total equity attributable to Owners of the parent	Non-controlling interests	Total equity
Equity at December 31, 2018	50	0	0	0	(18)	32	0	32
Prior year result				(18)	18	0	0	0
Profit/(loss) for the period					(23)	(23)	0	(23)
Total comprehensive profit (loss) for the period	0	0	0	-18	-5	-23	0	(23)
Dividends paid	0	0	0	0	0	0	0	0
Shareholders contribution	0	0	0	30	0	30	0	30
Transactions with shareholders	0	0	0	30	0	30	0	30
Equity at September 30, 2019	50	0	0	12	(23)	39	0	39
Equity at December 31, 2019	10,050	0	77,485	(296,563)	(5,126)	(214,154)	0	(214,154)
Prior year result				(5,126)	5,126	0	0	0
Profit/(loss) for the period					(19,739)	(19,739)	(20)	(19,759)
Total comprehensive profit (loss) for the period	0	0	0	-5,126	-14,613	-19,739	-20	(19,759)
Dividends paid	0	0	0	0	0	0	0	0
Other movements	0	0	0	0	0	0	3,790	3,790
Transactions with shareholders	0	0	0	0	0	0	3,790	3,790
Equity at September 30, 2020	10,050	0	77,485	(301,689)	(19,739)	(233,893)	3,770	(230,123)

SISALPAY GROUP S.P.A.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AT AND FOR THE NINE MONTHS
ENDED SEPTEMBER 30, 2020

1. General information

SisalPay Group S.p.A. (hereafter the “**Company**”) is a company incorporated in Italy, with registered and administrative offices in Milan, in Via Di Tocqueville 13, organized under the laws of the Republic of Italy.

The Company and its subsidiaries (together the “**Group**”) operate principally in the collection and payment services sector, by specific authorization of the Bank of Italy, and in the marketing of telephone and TV content top-ups, with the support of a distribution network of over ≈ 46,000 point of sales, but also leveraging a fast growing online channel. The shareholders of the Company are currently Sisal Group S.p.A., owing 70% of the capital stock of the Company and Banca 5 S.p.A. holding the residual 30%.

2. Basis of preparation

Background

During 2019, an important and strategic agreement was signed between Sisal Group and Banca 5 S.p.A., a bank of Intesa Sanpaolo Group, to create, through a partnership, a leading group in the payment services sector distributed on the digital channel and in proximity channels in Italy.

To this end, a complex corporate reorganization has been undertaken within the Sisal Group to separate the activities related to payment services, to be carried out with Banca 5 as a minority shareholder, from the activities related to the Gaming sector, wholly owned by the Sisal Group.

As a consequence of this reorganization, starting from December 2019, all the activities referred to payment services are therefore under the management of the Company which wholly controls SisalPay Servizi S.p.A. and SisalPay S.p.A. (the latter is an electronic money institution subject to Bank of Italy supervision).

Criteria applied for the Special Purpose Financial Statements preparation

The notes to the Condensed Consolidated Interim Financial Statements have been prepared following IAS 34, ‘Interim financial reporting’ which governs interim financial reporting. IAS 34 permits a significantly lower amount of information to be included in interim financial statements from what is required for annual financial statements by International Financial Reporting Standards issued by the International Accounting Standards Board and approved by the European Union (hereafter “**IFRS**”), given that the entity has prepared its financial statements compliant with IFRS for the previous financial year. The Condensed Consolidated Interim Financial Statements should be read in conjunction with the annual consolidated financial statements of the Group for the year ended December 31, 2019 (the “**Annual Consolidated Financial Statements**”).

The Condensed Consolidated Interim Financial Statements include the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated statement of cash flows, the condensed consolidated statement of changes in equity and the illustrative notes.

The Condensed Consolidated Interim Financials Statements at September 30, 2020 also reflect the acquisition of the 51% of Pluservice Group, finalized during the third quarter, which impacted consolidated equity (do to minorities interest) and goodwill for respectively Euro €3.8 million and Euro 8.8 million, based on preliminary purchase price accounting.

It is noted that the consolidating company did not draw up consolidated financial statements in 2019, as it did not hold investments in other companies and, therefore, did not meet the required conditions, with the exception of annual financial statements, following the business combinations finalized in December 2019.

As a consequence, the comparative period shown in the Condensed Consolidated Interim Financial Statements at and for the nine months ended September 30, 2020 is represented by:

- the separate statement of comprehensive income of the Parent for the nine months ended September 30, 2019;
- the fully consolidated statement of financial position at December 31, 2019;
- the separate statement of cash flow of the Parent for the nine months ended September 30, 2019;
- the separate statement of change in equity of the Parent for the nine months ended September 30, 2019;

For these reasons the results are not comparable due to the different criteria and perimeter of preparation.

Unless otherwise stated, all amounts are disclosed in thousands of Euros.

These Condensed Consolidated Interim Financial Statements has been approved by the Board of Directors of SisalPay Group S.p.A. on November 23, 2020.

3. Going concern

Net loss for the nine months ended September 30, 2020 amounted to Euro 19,759 thousand (Euro 23 thousand for the nine months ended September, 30 2019, referred to the Company separate accounts); at September 30, 2020 the consolidated equity was negative for Euro 230,123 thousand (Euro 215,154 thousand at December 31, 2019) and net working capital at September 30, 2020 was negative for Euro 108,005 thousand (Euro 153,541 thousand at December 31, 2019).

The loss for the period is mainly related to the new financial structure of the Group, non recurring/special items for Euro 14,973 thousand and the ongoing integration activities of the contributed businesses; on top it should be considered also the Covid 19 impact, which mainly affected second quarter results.

With reference to the debt structure following the corporate reorganization, which resulted in the contribution to the Group of the service businesses of the Sisal Group and Banca 5 S.p.A., the table below illustrates the Group structure of capital resources and debt to third parties at September 30, 2020 and at December 31, 2019:

<i>(In Euro thousands)</i> <i>(Percentage computed on total debt and equity)</i>	At September 30, 2020	%	At December 31, 2019	%
Long term debt	513,216		510,186	
Short-term debt and current portion of long-term debt	61,331		8,572	
Funding from third parties	574,547	88.1%	518,757	87.7%
Shareholder Loan	307,512		286,858	
Funding from sole shareholder	307,512	47.2%	286,858	48.5%
Equity	(230,123)	-35.3%	(214,154)	-36.2%
Total debt and equity	651,936	100.0%	591,461	100.0%

As at September 30, 2020 the Short-term debt includes the drawdown of the Super Senior Revolving Facility for Euro 55,500 thousand, reduced for Euro 12,000 thousand compared to the draw down at the end of June.

It is noted that Loans from related parties include around Euro 107.2 million relating to loan from the majority shareholder Sisal Group S.p.A. and around Euro 199.3 million relating to a loan obtained from the minority shareholder Banca 5 S.p.A. as part of said operation, arising from the acquisition by the Company of the investments held by the two shareholders in SisalPay S.p.A and in SisalPay Servizi S.p.A. following the contribution of business segments to the latters. These debt instruments accrue annual interest at a rate of 9% and the capital value (including interest accrued) will be repaid no earlier than 6 months after the complete repayment of the Senior Secured Floating Rate Notes by SisalPay Group S.p.A, included in the long term debt from third parties.

With regard to the market scenario, during the current year, the total value of the “addressable payment services market” was originally forecasted to grow around 2%, with, however, a decreasing trend in the traditional retail channel, to the benefit of the proximity retail channel and the digital channel, which are the reference segments for the Group; these estimates are currently being subject to further update as a consequence of Covid 19 emergency.

On the basis of these assessments and ongoing developments and also with particular reference to the current and expected profitability of the Group, the Directors believe that there is the reasonable expectation that the Group will continue its operating activities in the foreseeable future and will be able to meet its financial commitments, and in any case for a period of time beyond twelve months, and has therefore prepared these Condensed Consolidated Interim Financial Statements on a going concern basis.

4. Accounting policies

The accounting policies adopted are consistent with those that applied to the Annual Consolidated Financial Statements. The following accounting standard applicable since January 2020 and adopted for the first time.

Accounting Standards, Amendments and Interpretations applicable and adopted for the first time

Since January 2020, the following accounting standards, amendments and interpretations have been endorsed by the European Union and adopted by the Group:

- Amendments to IFRS 3 Business Combinations
- Amendments to IFRS 9, IAS 39 and IFRS17: Interest Rate Benchmark Reform

- Amendments to IAS 1 and IAS 8: Definition of Material
- Amendments to References to the Conceptual Framework in IFRS Standards

No relevant impacts have been identified from the application of these standards and amendments.

Accounting standards, amendments and interpretations issued by the IASB but not yet endorsed by the European Union or not yet effective

At the date and preparation of these interim financial statements, the following standards and interpretations issued by the IAS were not yet endorsed by the European Union or endorsed but not yet effective.

- IFRS 17 Insurance Contracts;
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current;
- Amendments to IFRS 3 Business Combinations;
- Amendments to IAS 16 Property, Plant and Equipment;
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets;
- Amendments to Annual Improvements 2018-2020;
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2;
- Amendment to IFRS 16 Leases Covid 19-Related Rent Concessions;
- Amendments to IFRS 4 Insurance Contracts – deferral of IFRS19.

Any impacts from the application of the standard is currently being assessed.

5. Estimates

The preparation of Condensed Consolidated Interim Financial Statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these Condensed Consolidated Interim Financial Statements, the significant judgements made in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Annual Consolidated Financial Statements.

6. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange rate, interest rate and bookmaker risk), liquidity risk and credit risk and capital risk.

The Condensed Consolidated Interim Financial Statements do not include all financial risk management information and disclosures required for financial statements prepared according to IFRS. They should be read in conjunction with the Annual Consolidated Financial Statements, which include the full financial risk management disclosure There were no changes in the risk management department since year end or in any risk management policies.

Liquidity risk

At September 30, 2020, the Group has a revolving line of credit under the Super Senior Revolving Facility and related ancillary facility Agreements for a total of Euro 92.5 million, expiring in June 2026. At September 30, 2020, these facilities were partially drawn down for Euro 55.5 million.

Fair value estimation

Financial instruments carried at fair value are reported by valuation method. The different valuation levels are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

Both at September 30, 2020 and December 31, 2019 the Group reported no outstanding assets and liabilities measured at fair value.

7. Seasonality of operations

The operations of the Group are not affected by specific/material seasonality trends.

8. Revenues

The following table sets forth an analysis of Revenues:

	For the nine months ended September 30,		For the three months ended September 30,	
<i>(in Euro thousands)</i>	2020	2019	2020	2019
Payments and other services	184,844	0	63,972	0
Merchant services and others	41,834	0	13,547	0
Total	226,678	0	77,519	0

The Payments and other services revenues are analyzed as follows:

	For the nine months ended September 30,		For the three months ended September 30,	
<i>(in Euro thousands)</i>	2020	2019	2020	2019
Bill Payments revenues	142,178	0	47,948	0
Prepaid cards revenues	8,868	0	2,977	0
Telco revenues	20,506	0	6,892	0
Banking products and services revenues	7,755	0	2,955	0
Mobility revenues	1,416	0	1,416	0
Other products revenues	4,121	0	1,784	0
Total	184,844	0	63,972	0

Finance expense and similar

The following table sets forth an analysis of Finance expense and similar:

<i>(in thousands of Euros)</i>	For the nine months ended September 30,		For the three months ended September 30,	
	2020	2019	2020	2019
Interest and other finance expenses - related parties	19,591	0	6,578	0
Interest and other finance expenses - third parties	19,812	0	6,703	0
Total	39,403	0	13,281	0

9. Property, plant and equipment and other intangibles assets

The composition and movements of property, plant and equipment are as follows:

<i>(in Euro thousands)</i>	PPE	Other intangible assets
nine months September 30, 2020		
Opening net book amount as at January 1, 2020	67,178	76,569
Acquisitions of subsidiaries/businesses	207	14,492
Increases	4,988	13,769
Depreciation, amortisation and impairment	(13,620)	(13,637)
Closing net book amount as at September 30, 2020	58,753	91,193

10. Goodwill

<i>(in thousands of Euros)</i>	At September 30, 2020	At December 31, 2019
At the beginning of the period	546,843	546,843
Acquisitions of subsidiaries/businesses	8,795	0
At the end of the period	555,638	546,843

11. Restricted bank deposits

Restricted bank deposits mainly include the balances of restricted cash deposits deriving from funds received from customers in compliance with the directive known as PSD2, as part of the services rendered by SisalPay S.p.A. as an EMI.

12. Cash and cash equivalents

Cash and cash equivalents at September 30, 2020 and December 31, 2019 are as follows:

<i>(in Euro thousands)</i>	At September 30, 2020	At December 31, 2019
Bank and postal accounts	68,181	69,549
Cash and cash equivalents in hand	14	0
Total	68,195	69,549

13. Share capital

At September 30, 2020 share capital amounts to Euros 10,050,000, it is fully paid in and consists of 50,000,000 ordinary shares. This share capital is referred to the parent company, SisalPay Group S.p.A., and it is unchanged compared to December 31, 2019.

14. Borrowings and loans

The table sets forth an analysis of Borrowings and loans:

<i>(in Euro thousands)</i>	At September 30, 2020	At December 31, 2019
Senior Revolving and ancillary facilities	55,392	2,427
Senior Secured Notes	511,164	509,208
Loans from related parties	307,513	286,857
Loans from other banks	3,115	1,135
Payable to other lenders - leasing contracts	4,875	5,988
Other loans from third parties	7,990	7,123
Total	882,059	805,615
<i>of which current</i>	<i>62,176</i>	<i>8,571</i>
<i>of which non-current</i>	<i>819,883</i>	<i>797,044</i>

Movements in borrowings are analyzed as follows:

<i>(in Euro thousands)</i>	Nine months ended September 30,	
	2020	2019
Opening amount as at January 1	805,615	0
Acquisition of subsidiary	4,747	0
New borrowings	50,769	0
Change in IFRS 16 net financial liability	(49)	0
Net accrued interest and amortized	21,902	0
Repayments of borrowings	925	0
Closing amount as at June 30	882,059	0

At September 30, 2020, the market price of the senior secured notes was a total of Euro 518.4 million compared to a face total value of Euro 530 million, slightly recovering compared to market price at the end of June 2020.

New borrowings are mainly related to the drawdown of the Senior revolving Facility for Euro 50.5 million.

15. Provisions for risks and charges

The movements in the provisions for risks and charges are the following:

<i>(in Euro thousands)</i>	At January 1, 2020	Changes during the period		At September 30, 2020
		increase	decrease	
Sundry risks and charges provisions	294	0	(65)	229
Total	294	0	(65)	229

16. Related party transactions

Amongst related parties, we note the existing relationships with Banca 5 S.p.A., a company that exercises significant influence on the Parent.

With regard to financial transactions, we already commented the debt related to the deferred purchase price agreements signed at the end of 2019; in addition, at September 30, 2020 it is noted the trade receivable for about Euro 94 million, related to the turnover collection managed by Sisal Group S.p.A. and Banca 5 S.p.A. based on specific temporary services agreements.

Related party revenues, amounting to Euro 28.2 million for the nine months ended September 30, 2020, are related to income originating from transaction referred to non-contributed products whose ownership is currently retained by Banca 5 S.p.A..

Related party costs for services, amounting in total to Euro 4,045 thousand in the nine months ended September 30, 2020, are related for Euro 592 thousand to compensation for executives who are also Company directors and for Euro 3,453 thousands to operational, technological and administrative services by both the shareholders groups; salaries and employees severance indemnities of key management charged with strategic responsibilities, amounting to Euro 1,466 thousand in the nine months ended September 30, 2020, are reported under Personnel costs.

17. Significant non-recurring events and transactions

During the nine months ended September 30, 2020, the Group recognized about €15.0 million net non-recurring expenses, mainly related to integration costs and also to start-up costs in connection with launch of new products.

18. Commitments

The Condensed Consolidated Interim Financial Statements include capital expenditure commitments for approximately Euro 4.9 million; such capital expenditure will be financed with cash on bank balance and net cash generated from operating activities.

19. Significant events occurring after the end of period

Starting end of October new measures have been taken by Italian Government to face the effect of the so called Covid 19 second wave: the Group is monitoring the situation leveraging on 2020 first months experience both under the protection of personnel health and business support stand point.

In spite of the tough environment situation, the Group just announced in mid November its new brand identity including the new naming “Mooney” and is ready to launch, as issuer, its new prepaid card sponsored by Intesa Group. Both these initiatives witness the vitality of the Group and are crucial drivers for a sustained future growth and the implementation of related strategy.