

Condensed consolidated interim financial statements

At and for the six months period
ended June 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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SisalPay



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 six months ended June 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 six months ended June 30, 2020

In the first six months 2020, the Italian GDP was significantly down 8.3%¹ compared to the same period of last year.

In the first six months 2020, the Group recorded €6.9 billion turnover, down 16.7% 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 (T-Ricarica)
- Branded prepaid card boost plan
- Special marketing plan, including multichannel advertising
- Merchant support:
 - o Postponement of fees payment due in March April to H2
 - o Extra technical support during Covid outbreak
 - o Free shipping of "safety kit" to all our merchants
 - o Launch of MYNEWS dedicated video newsletter

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, 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 €25 million at June 30, 2020.

Full P&L results

The following table sets forth our full P&L results

<i>(€ in millions)</i>	Six months ended June 30,		
	2019	2020	% of total revenues and income
Revenues	-	149.2	100.0%
Other revenues and income	-	-	0.0%
Total revenues and income	-	149.2	100.0%
Purchases of materials, consumables and merchandise	-	1.2	0.8%
Costs for services	-	108.5	72.7%
Lease and rent expenses	-	-	0.0%
Personnel costs	-	11.3	7.6%
Other operating costs	-	3.0	2.0%
Amortization, depreciation, provisions and impairment losses and reversals	-	18.6	12.5%
Net operating profit (EBIT)	-	6.5	4.4%
Finance income and similar	-	-	0.0%
Finance expenses and similar	-	26.1	17.5%
Profit (loss) before income taxes	-	(19.6)	-13.1%
Income taxes	-	(4.8)	-3.2%
Total profit (loss) for the period	-	(14.8)	-9.9%

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:

Six months ended June 30,

<i>(€ in millions)</i>	2019	2020	% of total revenues and income
Payments and other services revenues	-	120.9	81.0%
Merchant services and others	-	28.3	19.0%
Total	-	149.2	100.0%

Revenues and income, amounted to €149.2 million for the six months ended June 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 81.0% for the six months ended June 30, 2020 while Merchant services and others revenues amounted to 19.0%.

Payments and other services revenues

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

Six months ended June 30,

<i>(€ in millions)</i>	2019	2020	% of total revenues and income
Bill Payments revenues	-	94.2	63.2%
Prepaid cards revenues	-	5.9	3.9%
Telco revenues	-	13.6	9.1%
Banking products and services revenues	-	4.8	3.2%
Other products revenues	-	2.3	1.6%
Total	-	120.9	81.0%

The overall Payments and other services revenues amounted to €120.9 million for the six months ended June 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.
- 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 €1.2 million for the six months ended June 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 €108.5 million for the six months ended June 30, 2020, equal to 72.7% as a percentage of Total revenues and income.

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

(€ in millions)	Six months ended June 30,		% of total revenues and income
	2019	2020	
Sales channel - payments services	-	79.0	53.0%
Commercial services	-	3.8	2.6%
Consulting	-	4.2	2.8%
Others services costs	-	21.5	14.4%
Total cost for services	-	108.5	72.7%

Cost of services are composed by the following items:

- *Sales channel – payments services* amounting to €79.0 million for the six months ended June 30, 2020. As a percentage of Total revenues and income, sales channel payments services amounted to 53.0% for the six months ended June 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 €3.8 million for the six months ended June 30, 2020. As a percentage of Total revenues and income, Commercial services amounted to 2.6% for the six months ended June 30, 2020. This cost item is mainly related to marketing and advertising and residually to other commercial initiatives.
- *Consulting* amounting to €4.2 million for the six months ended June 30, 2020. As a percentage of Total revenues and income, Consulting amounted to 2.8% for the six months ended June 30, 2020.
- *Other services costs* amounting to €21.5 million for the six months ended June 30, 2020. As a percentage of Total revenues and income, Other services costs amounted to 14.4% for the six months ended June 30, 2020. Other services costs are mainly related to Bank fees, outsourcing costs, maintenance fees and other expenses.

Personnel costs

Personnel costs amounted to €11.3 million for the six months ended June 30, 2020. As a percentage of Total revenues and income, Personnel costs amounted to 7.6% for the six months ended June 30, 2020. No personnel were hired by the Company in the first six months ended June 30, 2019.

Other operating costs

Other operating costs amounted to €3.0 million for the six months ended June 30, 2020. As a percentage of Total revenues and income, Other operating costs amounted to 2.0% for the six months ended June 30, 2020.

Amortization, depreciation, provisions and impairment losses and reversals

Amortization, depreciation, provisions and impairment losses and reversals amounted to €18.6 million for the six months ended June 30, 2020. As a percentage of total revenues and income, Amortization, depreciation, provisions and impairment losses and reversals amounted to 12.5% for the six months ended June 30, 2020 and are mainly related to Amortization and depreciation of intangible and tangible assets for total €16.6 million and to impairment of receivables for the residual amount. Thanks to the recovery activity carried out during and after the end of the Covid 19 lock down

period, impairment of receivables amounted to about nil in the second quarter.

Net operating profit (EBIT)

Net operating profit (EBIT) amounted to €6.5 million for the six months ended June 30, 2020.

Net margin was 4.4% for the six months ended June 30, 2020, compared to 6.6% for the first three months ended March 31, 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 €26.1 million for the six months ended June 30, 2020. As a percentage of Total revenues and income, Finance expenses and similar amounted to 17.5% for the six months ended June 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 (mainly represented by the senior secured notes holders).

Income taxes

Income taxes amounted to €-4.8 million for the six months ended June 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 six 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>	Six months ended June 30,	
	2019	2020
Movements in trade receivables	-	(19.9)
Movements in inventories	-	2.6
Movements in trade payables	-	10.8
Movements in trade working capital	-	(6.4)
Movements in other assets and liabilities	-	(40.4)
Total movements in working capital	-	(46.9)

Cash flows

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

<i>(€ in millions)</i>	Six months ended June 30,	
	2019	2020
Cash provided by operations before changes in working capital, interest and taxes	-	25.2
Tax paid	-	-
Changes in working capital	-	(46.9)
Cash flows provided by (used in) operating activities	-	(21.7)
Cash flows provided by (used in) investing activities	-	(9.0)
Cash flows provided by (used in) financing activities	-	44.5
Increase/(Decrease) in cash and cash equivalents	0.0	13.7
Net cash at the beginning of the period	0.1	69.5
Net cash at the end of the period	0.1	83.3

Cash used by operating activities amounted to €21.7 million for the six months ended June 30, 2020. The movement is mainly related to the trend in working capital as commented above while cash provided by operations before changes in working capital, interest and taxes amounted to €25.2 million.

Cash flows used in investing activities amounted to €9.0 million for the six months ended June 30, 2020, mainly due to investments in intangible assets.

Cash flows provided by financing activities amounted to €44.5 million for the six months ended June 30, 2020. The cash flows related to financing activities for the six months ended June 30, 2020 included net interest and related expenses payments for €17.2 million. In addition, 2020 cash flows include net usage of revolving facilities for €62.5 million, with a net reimbursement of these facilities in the second quarter for €25.0 million. In the six months ended June 30, 2020 are also reflected repayments for about €0.7 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 June 30, 2020. Subordinated shareholders loans are not included:

<i>(€ in millions)</i>	As of December 31,	As of June 30,
	2019	2020
Senior revolving Facility	5.0	67.5
Senior Secured notes	530.8	530.7
Other financial liabilities	7.1	7.3
Total external financial liabilities	542.8	605.5

Other Financial Information

<i>(€ in millions)</i>	Six months ended June 30,	
	2019	2020
EBITDA ⁽¹⁾	-	25.1
Non recurring items	-	10.9
Adjusted EBITDA ⁽²⁾	-	36.0
Adjusted EBITDA margin ⁽³⁾		24.1%

- (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>	Six months ended June 30,	
	2019	2020
Profit/(loss) for the period	-	(14.8)
Net finance expense and similar	-	26.1
Income taxes	-	(4.8)
Amortisation, depreciation, provisions and impairments	-	16.6
Impairment of receivables	-	2.0
EBITDA	-	25.1

<i>(€ in millions)</i>	As of December 31,	As of June 30,
	2019	2020
Unrestricted cash ⁽⁴⁾	69.5	83.3
SISALPAY GROUP net senior secured debt ⁽⁵⁾	466.3	515.0

- (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 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 SIX MONTHS ENDED JUNE 30, 2020 AND JUNE 30, 2019

<i>(in Euro thousands)</i>	<i>Notes</i>	For the three months ended June 30,		For the three months ended June 30,	
		2020	2019	2020	2019
Revenues	8	149,158	0	73,256	0
<i>of which related parties</i>		19,397	0	9,894	0
Other revenues and income		1	0	1	0
Total revenues and income		149,159	0	83,151	0
Purchases of materials, consumables and merchandise		1,162	0	642	0
<i>of which non-recurring</i>	20	226	0	226	0
Costs for services		108,483	12	54,403	6
<i>of which related parties</i>	17	3,068	0	1,937	0
<i>of which non-recurring</i>	18	9,455	0	5,557	0
Lease and rent expenses		39	0	36	0
Personnel costs		11,303	0	5,660	0
<i>of which related parties</i>	17	830	0	415	0
<i>of which non-recurring</i>	20	197	0	197	0
Other operating costs		3,015	5	1,647	4
<i>of which non-recurring</i>	18	975	0	639	0
Amortisation, depreciation, provisions and impairment losses and reversals		18,610	0	9,288	0
Net operating profit (EBIT)		6,548	(17)	11,475	(10)
Finance income and similar		0	0	0	0
<i>of which related parties</i>	17	0	0	0	0
Finance expenses and similar	9	26,122	0	13,208	0
<i>of which related parties</i>	17	13,013	0	6,507	0
Profit (loss) before income taxes		(19,574)	(17)	(1,733)	(10)
Income taxes		(4,802)	0	(2,980)	0
Profit (loss) for the period		(14,772)	(17)	1,247	(10)
Attributable to non-controlling interest		0	0	0	0
Attributable to owner of the parent		(14,772)	(17)	1,247	(10)
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		(14,772)	(17)	1,247	(10)
Attributable to non-controlling interest		0	0	0	0
Attributable to owner of the parent		(14,772)	(17)	(8,647)	(10)

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

<i>(in Euro thousands)</i>	<i>Notes</i>	<i>At June 30, 2020</i>	<i>At December 31, 2019</i>
A) NON-CURRENT ASSETS			
Property, Plant and Equipment	10	61,695	67,178
Goodwill	11	546,843	546,843
Intangible assets	10	76,292	76,569
Investments accounted for using the equity method		3,309	3,309
Deferred tax assets		8,159	3,245
Other non-current assets		1,399	1,381
Total non-current assets		697,697	698,524
B) CURRENT ASSETS			
Inventories		2,835	5,457
Trade receivables		90,627	72,686
<i>of which related parties</i>		66,622	56,739
Current financial assets		0	0
Taxes receivable		157	157
Restricted bank deposits	12	43,007	17,192
Cash and cash equivalents	13	83,285	69,549
Other current assets		6,712	3,106
<i>of which related parties</i>		2,215	647
Total current assets		226,623	168,147
TOTAL ASSETS		924,320	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		(14,772)	(5,126)
Total equity attributable to owners of the Parent		(228,926)	(214,154)
Equity attributable to non-controlling interests		0	0
Total equity		(228,926)	(214,154)
B) NON-CURRENT LIABILITIES			
Long-term debt	15	811,352	797,044
<i>of which related parties</i>		300,703	286,858
Provision for employee severance indemnities		2,813	2,736
Deferred tax liabilities		19,449	20,041
Provisions for risks and charges	16	294	294
Other non-current liabilities		0	0
Total non-current liabilities		833,908	820,115
C) CURRENT LIABILITIES			
Trade and other payables		218,453	183,796
<i>of which related parties</i>		2,897	1,159
Short-term debt	15	67,500	5,693
Current portion of long-term debt	15	3,939	2,879
<i>of which related parties</i>		0	0
Taxation payable		740	195
Other current liabilities		28,706	68,148
<i>of which related parties</i>	17	5,678	58,223
Total current liabilities		319,338	260,711
TOTAL LIABILITIES AND EQUITY		924,320	866,672

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

	For the six months ended June 30,	
<i>(In Euro thousands)</i>	2020	2019
Profit (loss) for the period before income taxes	(19,574)	(17)
Amortization and depreciation	16,647	0
Impairment of current receivables	1,963	0
Finance (income) expenses	26,122	0
Net cash generated from operating activities before changes in working capital, interest and taxes	25,158	(17)
Changes in trade receivables	(19,904)	0
Changes in inventories	2,622	0
Changes in trade payables	10,834	8
Change in other assets and liabilities	(40,446)	3
Taxes (paid)/reimbursed	0	0
Net cash generated from operating activities	(21,736)	(6)
Increase in property, plant and equipment	(1,641)	0
Increase in intangible assets	(7,378)	0
(Increase) decrease in other non-current assets	(18)	0
Net cash used in investing activities	(9,037)	0
decrease in medium-/long-term debt	(155)	0
decrease in lease payables	(685)	0
Increase (decrease) in short-term debt	62,500	0
Net interest paid	(17,151)	0
Net cash used in financing activities	44,509	30
Net change in cash and cash equivalents	13,736	24
Net cash at the beginning of the period	69,549	50
Net cash at the end of the period	83,285	74

SISALPAY GROUP S.P.A.
CONDENSED CONSOLIDATED STATEMENT OF CHANGE IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2020 AND JUNE 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					(17)	(17)	0	(17)
Total comprehensive profit (loss) for the period	0	0	0	-18	1	-17	0	(17)
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 June 30, 2019	50	0	0	12	(17)	45	0	45
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					(14,772)	(14,772)	0	(14,772)
Total comprehensive profit (loss) for the period	0	0	0	-5,126	-9,646	-14,772	0	(14,772)
Dividends paid	0	0	0	0	0	0	0	0
Other movements	0	0	0	0	0	0	0	0
Transactions with shareholders	0	0	0	0	0	0	0	0
Equity at June 30, 2020	10,050	0	77,485	(301,689)	(14,772)	(228,926)	0	(228,926)

SISALPAY GROUP S.P.A.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AT AND FOR THE SIX MONTHS
ENDED JUNE 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 the distribution PoS network, 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.

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 six months ended June 30, 2020 is represented by:

- the separate statement of comprehensive income of the Parent for the six months ended June 30, 2019;
- the fully consolidated statement of financial position at December 31, 2019;
- the separate statement of cash flow of the Parent for the six months ended June 30, 2019;
- the separate statement of change in equity of the Parent for the six months ended June 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 September 11, 2020.

3. Going concern

Net loss for the six months ended June 30, 2020 amounted to Euro 14,772 thousand (Euro 17 thousand for the six months ended March, 31 2019, referred to the Company separate accounts); at June, 30 2020 the consolidated equity was negative for Euro 228,926 thousand (Euro 215,154 thousand at December 31, 2019) and net working capital at June 30, 2020 was negative for Euro 104,561 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 10,853 thousand and the ongoing integration activities of the contributed businesses, expected to deliver full synergies in the second half of the current year.

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 June 30, 2020 and at December 31, 2019:

<i>(In Euro thousands)</i> <i>(Percentage computed on total debt and equity)</i>	At June 30, 2020	%	At December 31, 2019	%
Long term debt	510,649		510,186	
Short-term debt and current portion of long-term debt	71,439		8,572	
Funding from third parties	582,088	89.0%	518,757	87.7%
Shareholder Loan	300,703		286,858	
Funding from sole shareholder	300,703	46.0%	286,858	48.5%
Equity	(228,926)	-35.0%	(214,154)	-36.2%
Total debt and equity	653,865	100.0%	591,461	100.0%

As at June 30, 2020 the Short-term debt includes the drawdown of the Super Senior Revolving Facility for Euro 67,500 thousand also as a special cash management measure related to Covid 19 pandemic emergency, reduced for Euro 25,000 thousand compared to the full draw down at the end of March in the midst of the lock down period.

It is noted that Loans from related parties include around Euro 104.9 million relating to loan from the majority shareholder Sisal Group S.p.A. and around Euro 195.0 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 could be 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.

- Taxes on income which, in the interim periods, are accrued using the tax rate that would be applicable to expected total annual profit or loss.

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.

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- Amendments to References to the Conceptual Framework in IFRS Standards

No relevant impact has 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;
- 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 June 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 June 30, 2020, these facilities were partially drawn down for Euro 67.5 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 June 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 seasonality trends.

8. Revenues

The following table sets forth an analysis of Revenues:

<i>(in Euro thousands)</i>	For the six months ended June 30,		For the three months ended June 30,	
	2020	2019	2020	2019
Payments and other services	120,872	0	59,334	0
Merchant services and others	28,287	0	13,923	0
Total	149,159	0	73,257	0

The Payments and other services revenues are analyzed as follows:

<i>(in Euro thousands)</i>	For the six months ended June 30,		For the three months ended June 30,	
	2020	2019	2020	2019
Bill Payments revenues	94,230	0	45,866	0
Prepaid cards revenues	5,891	0	3,282	0
Telco revenues	13,614	0	6,201	0
Banking products and services revenues	4,800	0	2,855	0
Other products revenues	2,337	0	1,130	0
Total	120,872	0	59,334	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 six months ended June 30,		For the three months ended June 30,	
	2020	2019	2020	2019
Interest and other finance expenses - related parties	13,013	0	6,507	0
Interest and other finance expenses - third parties	13,109	0	6,701	0
Total	26,122	0	13,208	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
six months June 30, 2020		
Opening net book amount as at January 1, 2020	67,178	76,569
Increases	3,509	7,379
Depreciation, amortisation and impairment	(8,992)	(7,655)
Closing net book amount as at June 30, 2020	61,695	76,293

10. Goodwill

<i>(in thousands of Euros)</i>	At June 30, 2020	At December 31, 2019
At the beginning of the period	546,843	546,843
At the end of the period	546,843	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 June 30, 2020 and December 31, 2019 are as follows:

<i>(in Euro thousands)</i>	At June 30, 2020	At December 31, 2019
Bank and postal accounts	83,281	69,549
Cash and cash equivalents in hand	4	0
Total	83,285	69,549

13. Share capital

At June 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 June 30, 2020	At December 31, 2019
Senior Revolving and ancillary facilities	65,161	2,427
Senior Secured Notes	510,483	509,208
Loans from related parties	301,551	286,857
Loans from other banks	288	1,135
Payable to other lenders - leasing contracts	5,308	5,988
Other loans from third parties	5,596	7,123
Total	882,791	805,615
<i>of which current</i>	<i>71,439</i>	<i>8,571</i>
<i>of which non-current</i>	<i>811,352</i>	<i>797,044</i>

Movements in borrowings are analyzed as follows:

<i>(in Euro thousands)</i>	Six months ended June 30,	
	2020	2019
Opening amount as at January 1	805,615	0
New borrowings	62,500	0
Change in IFRS 16 net financial liability	(680)	0
Net accrued interest and amortized	16,203	0
Repayments of borrowings	847	0
Closing amount as at June 30	882,791	0

At June 30, 2020, the market price of the senior secured notes was a total of Euro 514.1 million compared to a face total value of Euro 530 million, strongly recovering compared to market price at the end of March 2020.

New borrowings are only related to the drawdown of the Senior revolving Facility for Euro 62.5 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 June 30, 2020
		increase	decrease	
Sundry risks and charges provisions	294	0	0	294
Total	294	0	0	294

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 June 30, 2020 it is noted the trade receivable for about Euro 67 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 19.4 million for the six months ended June 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 3,068 thousand in the six months ended June 30, 2020, are related for Euro 526 thousand to compensation for executives who are also Company directors and for Euro 2,542 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 830 thousand in the six months ended June 30, 2020, are reported under Personnel costs.

17. Significant non-recurring events and transactions

During the six months ended June 30, 2020, the Group recognized about €10,853 thousand 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 1.1 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

In the second half of the month of June the Group had to face the unpredictable insolvency procedure applied by Wirecard Group (issuer partner of the Group with regard to the prepaid cards branded SisalPay|5) as consequence of likely material fraud events concerning the cash balances of that group. On June 26th, after the notice of the insolvency application of Wirecard AG, the competent UK authority (FCA) prohibited Wirecard UK Ltd (the legal entity issuer of the cards) to provide any regulated services and the same day the Group stopped the distribution and the top-up of the Wirecard cards branded SisalPay|5. The stop imposed by the FCA also blocked cards payments.

SisalPay|5 immediately informed customers and granted all money stored on the cards, not only to reassure the customers themselves but also to generate a positive community response and to preserve the trust in the Group.

On June 29th, the FCA allowed Wirecard UK to resume all regulated activities and on the following day SisalPay|5 restored activity and informed customers they could use again their cards to execute payments. On July 6th, after having informed Bank of Italy, SisalPay|5 restored the top-up service and the SCT-in service, resuming almost full operation of the cards (still to manage SCT-out), to ensure business continuity for all the customers.

The situation of Wirecard Group is still uncertain: while the FCA has resumed regulated activities, the insolvency of the Wirecard Holding company or some of its subsidiaries could cause further business interruptions, resulting in a new block of cards/funds, impacting customer usage, therefore the Group has defined a back-up plan, that is under implementation and includes several actions amongst which the migration of SisalPay|5 customers to Banca5's Live Up cards (underway).

In the end, on July 31st, the Group has acquired the 51% of Pluservice S.r.l.. The target company is a leading player in the Italian mobility digital ticketing and IT solutions markets with about 2.0 million registered users and 10 million digital mobility tickets sold in 2019 and is controlling MyCicero S.r.l., already 30% owned by the Group. The key M&A rationales are related to the acceleration of SisalPay|5 digital strategy. The acquisition has been finalized based on a total consideration of Euro 6.6 million (of which Euro 2.4 million will be paid during 2021); assuming 2020-23 business plan growth, further Euro 3.3 million will be invested as Earn Out and the Group will also have the opportunity to acquire the remaining 49% of stake through Call Options to be eventually exercised in 2022/2023.