INTERIM FINANCIAL REPORT

Overview

SisalPay Group S.p.A. (the "**Company**" or "**SisalPay**" and together with its subsidiaries the "**Group**" or the "**SisalPay Group**") was a company incorporated and existing under the laws of Italy. As a result of a series of corporate transactions, SisalPay became the parent company of the Group. During 2019, the Group reached and signed an important and strategic agreement with 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 (the "**Gallo Investment**"). Following the completion of the Gallo Investment, we became a leading player in Italian proximity payments products and services and a trusted business partner for Italian merchants, with an extensive and capillary network of points of sale ("**PoS**") (post-network optimization), mostly located in bars, coffee shops, tobacconists and newsstands. Our offering includes the following segments:

- **Payments Products and Services:** a B2C offering with three components**:**
  - ***Bill Payments***: payment of various types of bills, including utilities, fines, taxes and subscriptions, from approximately 1,000 companies and public entities; we have commercial partnerships with 100 of these companies and public entities. Our bill payments segment includes pagoPa, a platform that provides consumers with a convenient way to make electronic payments owed to certain Italian central and local governmental entities.
  - ***Prepaid Cards***: issuance and top-up of own-branded prepaid debit cards and top-up services for our partners' prepaid debit cards.
  - ***Telco***: top-ups, including, mobile phones, pay-per-view TV cards, and e-commerce accounts.
- **Banking Products and Services:** 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.
- **Merchant Services:** a B2B offering of technology infrastructure and solutions to our PoS partners (generally small entrepreneurs) to help them manage their everyday store needs, including invoicing and tax compliance, working capital management and payment terminal maintenance.

Basis of preparation

Considering that the completion of the Gallo Investment occurred in December 2019, the interim condensed consolidated financial statements of the Company as of and for the three months ended March 31, 2020 are not comparable with the corresponding data for the three months ended March 31, 2019. Consequently, in order to provide meaningful information to investors, the "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" section of this document includes:

- the combined financial information of the Sisal Payments Business and the Banca 5 Payments Business for the three months ended March 31, 2019, derived from the historical financial information included in the consolidated financial statements of Sisal Group S.p.A. and in the financial statements of Banca 5 S.p.A. for the same reporting period, and
- the consolidated financial information of SisalPay Group for the three months ended March 31, 2020, derived from the unaudited interim condensed consolidated financial statements of the Company as of and for the three months ended March 31, 2020.

It should be noted that the combined financial information has been calculated as the sum, without any changes, of the Sisal Payments Business and the Banca 5 Payments Business. The combined financial information is presented for illustrative purposes only, in order to present economic and financial data for a three-month period ended March 31, 2019 that could be compared with the data for the three months ended March 31, 2020 and does not purport to represent or to be indicative of the results of operations or financial position as of any future date or results of operations for any future period. In addition, the combined financial information does not represent the actual financial position or results of operations of the SisalPay Group for the periods indicated. All information set forth herein is unaudited.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF SISALPAY GROUP

The following is a discussion and analysis of the SisalPay Group results of operations and financial condition for the three months ended March 31, 2019 and 2020.

This discussion includes forward-looking statements, which although based on assumptions that the SisalPay Group considers reasonable, are subject to risks and uncertainties which could cause actual events or conditions to differ materially from those expressed or implied by the forward-looking statements.

The following discussion of our results of operations also makes reference to EBITDA, Adjusted EBITDA and Adjusted run-rate EBITDA, which are non-GAAP financial measures. You should bear in mind that EBITDA, Adjusted EBITDA and Adjusted run-rate EBITDA are not financial measures defined in accordance with IFRS, may not be comparable to other similarly titled measures of other companies, have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our operating results as reported under IFRS.

Key Factors Affecting the Financial Condition and Results of Operations

Three months ended March 31, 2020 compared to three months ended March 31, 2019

In the early months of 2020, the impact of the COVID-19 pandemic on production and aggregate demand became apparent in all economies. In all of the leading global economies, authorities enacted strong expansionary measures to provide income support to households and firms, provide credit to the economy and bolster market liquidity. The spread of the virus in Italy since the end of February and the measures adopted to reduce the rate of infection had significant repercussions on economic activity in the first quarter of 2020. The Italian government has adopted a series of measures to support the healthcare system as well as households and companies affected by the emergency, by strengthening social safety nets, suspending tax payments, approving a debt moratorium on outstanding bank loans and increasing public guarantees on new loans to companies. In line with the latest figures published by the national Civil Protection agency, which confirm the slowdown of the spread of the virus in Italy, the Italian Prime Minister Decree ("**DPCM**") of April 26, 2020 approved the introduction of certain measures, effective from May 4, 2020, which involves the progressive reopening of certain production activities, albeit with the continuing requirement to maintain appropriate social distancing.

Even before the restrictive measures came into effect, we adopted a series of further, voluntary and increasingly stringent precautionary measures in addition to those required by law, with a view to ensuring a greater degree of protection for all parties. In particular, we implemented measures:

- to support our employees, including a COVID19 Health Policy for all employees and the "100% Smart Working" plan, a major organizational, logistical and technological effort to ensure business continuity, while ensuring personnel safety,
- to sustain transaction volumes while supporting our affiliated merchants, including:
    - the launch of new products enriching merchants' portfolio,
    - the increase number of PoS permitted to sell our branded prepaid card,
    - support on technical issues also leveraging on our commercial salesforce,
    - postponement of Merchant Services payments due in March and April 2020 to the second half of 2020,
    - delivery of safety KIT for PoS in order to support their sales activities,
    - pushing on Digital channels (App, Web, etc) for serving our consumer customer without physical touchpoint (PoS) experience.

Although our costs are predominately variable in nature, we are executing a thorough financial mitigation plan in order to manage the exposure of our business to the impacts of the COVID-19 pandemic, particularly in the shortterm, through careful cost management actions and a reduction in planned capital expenditures. We currently do not anticipate liquidity issues relating to the COVID-19 outbreak, as we continue to leverage our structurally negative working capital and strong cash conversion. We opted to draw our Revolving Credit Facility in full and expect to reduce borrowings as business volumes return to normal. As of March 31, 2020, our available liquidity was above €100 million.

Results of Operations

Three months ended March 31, 2019 and 2020

The following table sets out our operating results for the periods indicated:

	Three Months Ended March 31,				Change 2020 - 2019	
	2020	**%**	**2019**	**%**		**%**
	(in Euro millions, except percentages)					
Revenues	75.9	100.0%	86.9	99.5%	(11.0)	(12.7%)
Other income	-	0.0	0.4	0.5%	(0.4)	(100.0%)
Total revenues and income	**75.9**	**100.0%**	**87.3**	**100.0%**	**(11.4)**	**(13.1%)**
Purchases of materials, consumables and merchandise	(0.5)	(0.7%)	(0.5)	(0.6%)	-	0.0%
Costs for services, lease and rent expenses	(54.1)	(71.3%)	(61.3)	(70.2%)	7.2	(11.7%)
Personnel costs	(5.6)	(7.4%)	(5.1)	(5.8%)	(0.5)	9.8%
Other operating costs	(1.4)	(1.8%)	(0.7)	(0.8%)	(0.7)	100.0%
Amortization, depreciation, provisions, impairment losses and reversals	(9.3)	(12.3%)	(8.1)	(9.3%)	(1.2)	14.8%
Operating profit (EBIT)[(1)]	**5.0**	**6.6%**	**11.6**	**13.3%**	**(6.6)**	**(56.9%)**

(1) The three months ended March 31, 2020 includes non-recurring costs and special items of €4.2 million; the three months ended March 31, 2019 includes non-recurring costs and special items of €1.0 million and depreciation/amortization of shared assets of €1.1 million.

Revenues

The following table sets forth an analysis of our revenues by product for the periods indicated:

	Three Months Ended March 31,				Change 2020 - 2019	
	2020[(*)]	**%**	**2019**	**%**		**%**
	(in Euro millions, except percentages)					
Bill payments	48.4	63.8%	53.2	61.2%	(4.8)	(9.0%)
Prepaid cards	2.6	3.4%	9.1	10.5%	(6.5)	(71.4%)
Telco	7.4	9.7%	8.2	9.4%	(0.8)	(9.8%)
Merchant Services	14.4	19.0%	13.9	16.0%	0.5	3.6%
Banking and Other products	3.1	4.1%	2.4	2.8%	0.7	29.2%
Revenues	**75.9**	**100.0%**	**86.9**	**100.0%**	**(11.0)**	**(12.7%)**

(*) Includes service fees towards Banca 5 S.p.A. for €0.8 million for the three months ended March 31, 2020

Revenues decreased by €11.0 million, or 12.7%, from €86.9 million for the three months ended March 31, 2019, to €75.9 million for the three months ended March 31, 2019, primarily attributed to prepaid cards and bill payments revenues decreasing by 71.4% and 10.7% respectively, compared to the three months ended March 31, 2019. The decrease in revenues was mainly attributable to:

(i) the closure of non-essential service activities, introduced by the Italian government to contain and manage the COVID-19 epidemiological emergency, which resulted in a significant drop of number of transactions,

(ii) €7.7 million related to the termination of Banca 5 PostePay contract occurred in September 2019 (with effect from January 2020), partially offset by

(iii) €0.8 million of service fee towards Banca 5 S.p.A..

Bill payments

Bill payments revenues decreased by €4.8 million, or 9.0%, from €53.2 million for the three months ended March 31, 2019 to €48.4 million for the three months ended March 31, 2020. The decrease was primarily driven by the decrease in the number of transactions in connection whit the aforementioned measures introduced by the Italian government.

Prepaid cards

Prepaid cards revenues decreased by €6.5 million, or 71.4%, from €9.1 million for the three months ended March 31, 2019 to €2.6 million for the three months ended March 31, 2020. The decrease was primarily due to the termination of the Banca 5 PostePay contract occurred in September 2019 (with effect from January 2020).

Telco

Telco revenues decreased by €0.8 million, or 9.8%, from €8.2 million for the three months ended March 31, 2019, to €7.4 million for the three months ended March 31, 2020, due to the continuing decline in the number of transactions recorded industry-wide.

Merchant Services

Merchant Services revenues increased by €0.5 million, or 3.6%, from €13.9 million for the three months ended March 31, 2019, to €14.4 million for the three months ended March 31, 2020, due to increasing demand from merchants to incorporate our terminals in their stores and the value-adding technology infrastructure and support solutions that we provides to our merchants.

Purchase of materials, consumables and merchandise

Purchase of materials, consumables and merchandise remained broadly stable at €0.5 million between the three months ended March 31, 2020 and the three months ended March 31, 2019.

Costs for services, lease and rent expenses

Cost for services decreased by €7.2 million, or 11.7%, from €61.3 million for the three months ended March 31, 2020, to €54.1 million for the three months ended March 31, 2019. Such change was due to the decrease in both revenues and volume transactions, as described above.

It should be noted that the item was marked by one-off events, namely the temporary card incentive, cost of launch of branded prepaid card, the development of the digital payments business and other, which resulted in non-recurring costs and special items of €3.9 million in the three months ended March 31, 2020 (as compared to non-recurring costs of €1.0 million in the three months ended March 31, 2019).

Excluding the above-mentioned non-recurring costs, Cost for services would have decreased by €10.1 million, or 16.7%, from €60.3 million for the three months ended March 31, 2019 to €50.2 million for the three months ended March 31, 2020, and, as percentage of total revenues and income, would have been 69.1% for the three months ended March 31, 2019 and 66.1% for the three months ended March 31, 2020.

Personnel costs

Personnel costs increased by €0.5 million, or 9.8%, from €5.1 million for the three months ended March 31, 2020, to €5.6 million for the three months ended March 31, 2019.

Amortization, depreciation, impairments and reversals of the value of property, plant and equipment and intangible assets

Amortization, depreciation, impairments and reversals of the value of property, plant and equipment and intangible assets amounted to €9.3 million for the three months ended March 31, 2020, an increase of €1.2 million, or 14.8%, from €8.1 million for the three months ended March 31, 2019. The increase was mainly due to higher depreciation of tangible and intangible assets.

EBITDA, Adjusted EBITDA and Adjusted run-rate EBITDA

The following is a calculation of EBITDA for the periods indicated.

	Three Months Ended March 31,		Change 2020 - 2019	
	2020	2019		%
	(in Euro millions, except percentages)			
Operating profit (EBIT)	5.0	11.6	(6.6)	(56.9%)
Amortization, depreciation, provisions and impairment losses and reversals	9.3	8.1	1.2	14.8%
EBITDA [(1)]	**14.3**	**19.7**	**(5.4)**	**(27.4%)**

(1) EBITDA is calculated as operating profit (EBIT) for the period adjusted for Amortization, depreciation, provisions and impairment losses and reversals.

The following is a calculation of Adjusted EBITDA for the periods indicated.

	Three Months Ended March 31,		Change 2020 - 2019	
	2020	2019		%
	(in Euro millions, except percentages)			
EBITDA	14.3	19.7	(5.4)	(27.4%)
Non-recurring costs and other special items	4.2	1.0	3.2	320.0%
Depreciation/amortization of shared assets[(a)]	-	1.1	(1.1)	(100.0%)
Adjusted EBITDA[(b)]	**18.5**	**21.8**	**(3.3)**	**(15.1%)**
Adjusted EBITDA margin[(c)]	**24.4%**	**25.1%**	**n.a.**	**(0.7%)**

(a) Pro-quota allocation of shared tangible and intangible assets used by the Sisal Payments Business and the Banca 5 Payments Business in the three months ended March 31, 2019.

(b) Adjusted EBITDA is defined as EBITDA adjusted for the effect of non-recurring items, special items, other one-off transactions and the depreciation of certain shared assets for the three months ended March 31, 2019.

(c) As a percentage of revenue.

The following is a calculation of Adjusted run-rate EBITDA for the periods indicated.

	Three Months Ended March 31,		Change 2020 - 2019	
	2020	2019		%
	(in Euro millions, except percentages)			
Adjusted EBITDA	18.5	21.8	(3.3)	(15.1%)
Incremental G&A[(a)]	-	(1.3)	1.3	n.a.
Impact of the Banca 5 PostePay contract loss[(b)]	-	(1.2)	1.2	n.a.
Adjusted run-rate EBITDA[(c)]	**18.5**	**19.3**	**0.8**	**(4.1%)**
Adjusted run-rate EBITDA margin[(d)]	**24.4%**	**22.2%**	**n.a.**	**9.7%**

(a) Represents incremental G&A spending to support the combined business.

(b) Represents the full-period impact of the reduction in EBITDA to reflect the non-renewal by PostePay in September 2019 (with effect from January 2020) of its contract with Banca 5. It is recalled that SisalPay lost a similar contract in October 2018.

(c) Adjusted run-rate EBITDA and the underlying calculations therefrom have not been, and cannot be, audited, reviewed or verified by any independent accounting firm. Adjusted run-rate EBITDA is included in this report because we believe that it provides a useful indication of what our Adjusted EBITDA for the three months ended March 31, 2020 and 2019 would have been under certain circumstances and assumptions as described herein; however, this information does not constitute a measure of financial performance under IFRS or any other auditing standard and you should not consider Adjusted run-rate EBITDA as an alternative to net income or any other performance measure derived in accordance with IFRS or any other auditing standard or as a measure of our results of operations or liquidity.

(d) As a percentage of revenue.

EBITDA decreased by €5.4 million, or 27.4%, from €19.7 million for the three months ended March 31, 2019, to €14.3 million for the three months ended March 31, 2019. The decrease in 2020 mainly reflect the decrease in operating profit for the period as a consequence of the termination of the PostePay contract, Covid-19 impact and non-recurring costs for services costs discussed above.

Adjusted EBITDA decreased by €3.3 million, or 15.1%, from €21.8 million for the three months ended March 31, 2019, to €18.5 million for the three months ended March 31, 2020.

Adjusted run-rate EBITDA decreased by €0.8 million, or 4.1%, from €19.3 million for the three months ended March 31, 2019, to €18.5 million for the three months ended March 31, 2020.

Liquidity and Capital Resources

Before entering into the Transactions, as defined below, the primary sources of liquidity for our business have been cash flow from operations. Following completion of the Transactions, as defined below, our primary source of liquidity is cash flows from operations, the Notes and the Revolving Credit Facility.

Our cash flows generated from operating activities have historically been sufficient to meet our liquidity requirements. We believe that our cash flows from operations, cash on hand and the availability of borrowings under the Revolving Credit Facility will be sufficient to fund our operating capital expenditures and debt service for at least the next twelve months. Furthermore, we believe that our current liability position will be sufficient to meet our needs, subject to a variety of factors, including (i) our future ability to generate cash flows from our operations, (ii) the level of our outstanding indebtedness and prevailing interest rates, which affects our debt service requirements with respect to such indebtedness, (iii) our ability to continue to borrow funds from financial institutions, (iv) our capital expenditure requirements, and (v) general economic, financial, competitive market, legislative, regulatory and other factors, many of which are beyond our control.

Net working capital

Our business operations generally are not working capital intensive. Our working capital is structurally negative as we collect cash from our PoS network on a regular and frequent basis while we pay our suppliers on standard credit terms. Our working capital and cash balances at the end of each period are influenced by the day of the week on which the period is closed.

Capital Expenditures

For the three months ended March 31, 2020, capital expenditures amounted to €3.6 million.

Capital Resources

As of March 31, 2020, the principal amount of our total external debt was equal to €530 million and represents the principal outstanding under the Senior Secured Floating Rate Notes due 2026.