REGISTRATION DOCUMENT

dated 19 February 2021

This Registration Document is issued in accordance with the provisions of Chapter 4 of the Listing Rules issued by the Listing Authority and of Commission Regulation (EU) 2017/1129 of 14 June 2017 of the European Parliament and of the Council on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market and repealing Directive 2003/71/EC (the **"Prospectus Regulation"**).

Issued by

RS2 SOFTWARE P.L.C.

a public limited liability company registered under the laws of Malta
with company registration number C 25829

Legal Counsel

gtg ADVOCATES

Sponsors

RIZZO FARRUGIA
YOUR INVESTMENT CONSULTANTS

Calamatta Cuschieri
YOUR PARTNER IN FINANCIAL SERVICES

Manager & Registrar

BOV
Bank of Valletta

THIS REGISTRATION DOCUMENT HAS BEEN APPROVED BY THE LISTING AUTHORITY, AS THE COMPETENT AUTHORITY UNDER THE PROSPECTUS REGULATION. THE LISTING AUTHORITY HAS AUTHORISED THE ADMISSIBILITY OF THE SECURITIES AS A LISTED FINANCIAL INSTRUMENT. THIS MEANS THAT THE LISTING AUTHORITY HAS APPROVED THIS REGISTRATION DOCUMENT AS MEETING THE STANDARDS OF COMPLETENESS, COMPREHENSIBILITY AND CONSISTENCY AS PRESCRIBED BY THE PROSPECTUS REGULATION. SUCH APPROVAL SHOULD NOT HOWEVER BE CONSIDERED AS AN ENDORSEMENT OF THE COMPANY THAT IS THE SUBJECT OF THIS REGISTRATION DOCUMENT. IN PROVIDING THIS AUTHORISATION, THE LISTING AUTHORITY DOES NOT GIVE ANY CERTIFICATION REGARDING THE POTENTIAL RISKS IN INVESTING IN THE SAID INSTRUMENT AND SUCH AUTHORISATION SHOULD NOT BE DEEMED OR BE CONSTRUED AS A REPRESENTATION OR WARRANTY AS TO THE SAFETY OF INVESTING IN SUCH INSTRUMENTS.

THE LISTING AUTHORITY ACCEPTS NO RESPONSIBILITY FOR THE CONTENTS OF THE PROSPECTUS, MAKES NO REPRESENTATIONS AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER, FOR ANY LOSS HOWSOEVER ARISING FROM, OR IN RELIANCE UPON, THE WHOLE OR ANY PART OF THE CONTENTS OF THE PROSPECTUS INCLUDING ANY LOSSES INCURRED BY INVESTING IN THE SECURITIES.

A PROSPECTIVE INVESTOR SHOULD ALWAYS SEEK INDEPENDENT FINANCIAL ADVICE BEFORE DECIDING TO INVEST IN ANY LISTED FINANCIAL INSTRUMENT. A PROSPECTIVE INVESTOR SHOULD BE AWARE OF THE POTENTIAL RISKS IN INVESTING IN THE SECURITIES OF AN ISSUER AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER CAREFUL CONSIDERATION AND CONSULTATION WITH HIS OR HER OWN INDEPENDENT FINANCIAL ADVISER.

APPROVED BY THE DIRECTORS

Mr Mario Schembri in his capacity as Director of the Company

and for and on behalf of: Mr Radi Abd El Haj, Dr Robert Tufigno, Mr Franco Azzopardi,
Mr John Elkins, Prof. Raša Karapandža and Mr David Price.

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IMPORTANT INFORMATION

THIS REGISTRATION DOCUMENT CONTAINS INFORMATION ON THE COMPANY AND THE BUSINESS OF THE GROUP OF WHICH IT FORMS PART IN ACCORDANCE WITH THE REQUIREMENTS OF THE LISTING RULES AND THE PROSPECTUS REGULATION.

NO BROKER, DEALER, SALESMAN OR OTHER PERSON HAS BEEN AUTHORISED BY THE COMPANY OR ITS DIRECTORS TO ISSUE ANY ADVERTISEMENT OR TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS IN CONNECTION WITH THE SECURITIES OF THE COMPANY OTHER THAN THOSE CONTAINED IN THIS REGISTRATION DOCUMENT AND IN THE DOCUMENTS REFERRED TO HEREIN, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORISED BY THE COMPANY OR ITS DIRECTORS OR ADVISERS.

THE LISTING AUTHORITY ACCEPTS NO RESPONSIBILITY FOR THE CONTENTS OF THE PROSPECTUS, MAKES NO REPRESENTATIONS AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWSOEVER ARISING FROM, OR IN RELIANCE UPON, THE WHOLE OR ANY PART OF THE CONTENTS OF THE PROSPECTUS.

THE PROSPECTUS DOES NOT CONSTITUTE, AND MAY NOT BE USED FOR PURPOSES OF, AN OFFER OR INVITATION TO SUBSCRIBE FOR SECURITIES ISSUED BY THE COMPANY BY ANY PERSON IN ANY JURISDICTION: (I) IN WHICH SUCH OFFER OR INVITATION IS NOT AUTHORISED; OR (II) IN WHICH THE PERSON MAKING SUCH OFFER OR INVITATION IS NOT QUALIFIED TO DO SO; OR (III) TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR INVITATION.

THIS PROSPECTUS IS VALID FOR A PERIOD OF TWELVE MONTHS FROM THE DATE HEREOF. FOLLOWING THE LAPSE OF THIS VALIDITY PERIOD, THE COMPANY IS NOT OBLIGED TO SUPPLEMENT THE PROSPECTUS IN THE EVENT OF SIGNIFICANT NEW FACTORS, MATERIAL MISTAKES OR MATERIAL INACCURACIES.

IT IS THE RESPONSIBILITY OF ANY PERSON IN POSSESSION OF THE PROSPECTUS AND ANY PERSON WISHING TO ACQUIRE ANY SECURITIES ISSUED BY THE ISSUER TO INFORM THEMSELVES OF, AND TO OBSERVE AND COMPLY WITH, ALL APPLICABLE LAWS AND REGULATIONS OF ANY RELEVANT JURISDICTION. PROSPECTIVE INVESTORS FOR ANY SECURITIES OF THE COMPANY ADMITTED TO TRADING ON THE MSE SHOULD INFORM THEMSELVES AS TO THE LEGAL REQUIREMENTS OF SO APPLYING FOR ANY SUCH SECURITIES AND OF ANY APPLICABLE EXCHANGE CONTROL REQUIREMENTS AND TAXES IN THE COUNTRIES OF THEIR NATIONALITY, RESIDENCE OR DOMICILE.

A COPY OF THIS DOCUMENT HAS BEEN SUBMITTED TO THE LISTING AUTHORITY IN SATISFACTION OF THE LISTING RULES AND TO THE MALTA STOCK EXCHANGE IN SATISFACTION OF THE MALTA STOCK EXCHANGE BYE-LAWS.

STATEMENTS MADE IN THIS REGISTRATION DOCUMENT ARE, EXCEPT WHERE OTHERWISE STATED, BASED ON THE LAW AND PRACTICE CURRENTLY IN FORCE IN MALTA AND ARE SUBJECT TO CHANGES THERETO.

ALL THE ADVISERS TO THE COMPANY NAMED IN THIS REGISTRATION DOCUMENT UNDER THE HEADING "*ADVISERS*" IN SECTION 5.1 OF THIS REGISTRATION DOCUMENT HAVE ACTED AND ARE ACTING EXCLUSIVELY FOR THE COMPANY IN RELATION TO THE PROSPECTUS AND HAVE NO CONTRACTUAL, FIDUCIARY OR OTHER OBLIGATION TOWARDS ANY OTHER PERSON AND WILL, ACCORDINGLY, NOT BE RESPONSIBLE TO ANY INVESTOR OR ANY OTHER PERSON WHOMSOEVER IN RELATION TO THE TRANSACTIONS PROPOSED IN THE PROSPECTUS.

THE INFORMATION ON THE ISSUER'S WEBSITE DOES NOT FORM PART OF THE PROSPECTUS UNLESS THAT INFORMATION IS INCORPORATED BY REFERENCE INTO THE PROSPECTUS. ACCORDINGLY, NO RELIANCE OUGHT TO BE MADE BY ANY INVESTOR ON ANY INFORMATION OR OTHER DATA CONTAINED IN SUCH WEBSITES AS THE BASIS FOR A DECISION TO INVEST IN THE SECURITIES.

THE VALUE OF INVESTMENTS CAN GO UP OR DOWN AND PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE PERFORMANCE. PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER ALL THE INFORMATION CONTAINED IN THE PROSPECTUS AS A WHOLE AND SHOULD CONSULT THEIR OWN INDEPENDENT FINANCIAL AND OTHER PROFESSIONAL ADVISERS.

1 DEFINITIONS

In this Registration Document the following words and expressions shall bear the following meanings whenever such words and expressions are used in their capitalised form, except where the context otherwise requires:

Act or **Companies Act**	the Companies Act (Cap. 386 of the laws of Malta);
BaFin	the Federal Financial Supervisory Authority in Germany - Bundesanstalt für Finanzdienstleistungsaufsicht (BaFIN);
Company or **Issuer**	RS2 Software p.l.c., a public limited liability company registered under the laws of Malta bearing company registration number C 25829 and having its registered office at RS2 Buildings, Fort Road, Mosta MST 1859, Malta;
Directors or **Board**	the directors of the Company whose names are set out in section 12.1 under the heading "*Board of Directors of the Issuer*";
Euro or **€**	the lawful currency of the Republic of Malta;
Listing Authority	the Board of Governors of the MFSA, appointed as Listing Authority for the purposes of the Malta Financial Services Authority Act (Cap. 330 of the laws of Malta);
Listing Rules	the listing rules of the Listing Authority, as may be amended from time to time;
Malta Stock Exchange or **MSE**	Malta Stock Exchange p.l.c., as originally constituted in terms of the Financial Markets Act (Cap. 345 of the laws of Malta) with company registration number C 42525 and having its registered office at Garrison Chapel, Castille Place, Valletta VLT 1063, Malta;
Memorandum and Articles of Association	the memorandum and articles of association of the Company in force at the time of publication of the Prospectus. The terms "**Memorandum**" and "**Articles of Association**" shall be construed accordingly;
MFSA	the Malta Financial Services Authority, established in terms of the Malta Financial Services Authority Act (Cap. 330 of the laws of Malta);
Offer	the offer of up to 28,571,400 Preference Shares of a nominal value of €0.06 per Preference Share in the Company being made at the Offer Price pursuant to the Prospectus;
Offer Price	the price of €1.75 per Preference Share representing a discount of *circa* 18% to the trade weighted average price of the Company's Ordinary Shares over a twelve-month period from 11 February 2020 to 8 February 2021 and a premium of €1.69 over nominal value;
Ordinary Shares	each and all of the 192,968,569 issued ordinary shares in the Company having a nominal value of €0.06 per ordinary share;
Preference Shares	each and all of the 28,571,400 preference shares in the Company having a nominal value of €0.06 per preference share and forming the subject of the Offer at the Offer Price pursuant to the Prospectus;
Prospectus	collectively, the Summary, this Registration Document and the Securities Note, all dated 19 February 2021;

Prospectus Regulation	Commission Regulation (EU) 2017/1129 of 14 June 2017 of the European Parliament and of the Council on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC;
RS2, **RS2 Software Group** or **Group**	the Company and its Subsidiaries;
Registration Document	this document in its entirety;
Securities Note	the securities note issued by the Company dated 19 February 2021, forming part of the Prospectus;
Subsidiaries	the subsidiaries of the Company whose details are set out in section 6.3.1 under the heading "*Organisational Structure*"; and
Summary	the summary issued by the Company dated 19 February 2021, forming part of the Prospectus.

All references in the Prospectus to "Malta" are to the "Republic of Malta".

Unless it appears otherwise from the context:

a. words importing the singular shall include the plural and *vice-versa*;

b. words importing the masculine gender shall include also the feminine gender and *vice-versa*;

c. the word "may" shall be construed as permissive and the word "shall" shall be construed as imperative;

d. any reference to a person includes natural persons, firms, partnerships, companies, corporations, associations, organisations, governments, states, foundations or trusts;

e. any reference to a person includes that person's legal personal representatives, successors and assignees;

f. any phrase introduced by the terms "including", "include", "in particular" or any similar expression is illustrative only and does not limit the sense of the words preceding those terms; and

g. any reference to a law, legislative act and/or other legislation shall mean that particular law, legislative act and/or legislations in force at the time of publication of this Registration Document.

2 GLOSSARY OF KEY AND TECHNICAL TERMS

Acquiring / Acquirer	A bank, financial institution or regulated entity, which has a licence from card schemes such as Visa, MasterCard, etc., and acquires funds for its merchants from consumers.
BigTech	Refers to the major technology companies such as Apple Inc., Google LLC, Amazon.com Inc. and Facebook Inc., which are the largest and most dominant companies in the information technology industry.
Card Schemes	Payment networks that set rules and provide infrastructure to issue cards and process payments generated by these cards. Prominent examples of these card networks are Visa Inc., MasterCard International LLC, The American Express Company, Discover Card, JCB Co. Ltd and Diners Club International.
E-commerce	Refers to payments made by consumers and shoppers through websites and marketplaces buying goods and services provided such types or merchants, using card and other payment methods including account to account transfer.
Electronic Money (E-Money)	An electronic store of monetary value on a technical device that may be widely used for making payments to entities other than the e-money issuer.
E-Money Institution (EMI) licence	Licence issued by the competent authority that authorises a financial institution to issue electronic money in terms of the Electronic Money Directive (EU Directive 2009/110/EC of the European Parliament and Council of 16 September 2009).
FinTech	Refers to new technology that seeks to improve and automate the delivery and use of financial services, to help companies, business owners and consumers better manage their financial operations, processes, and lives by utilising specialised software and algorithms that are used on computers and, increasingly, smartphones. It also includes the development and use of cryptocurrencies such as Bitcoin.
General Data Protection Regulation (GDPR)	The legal framework that sets guidelines for the collection and processing of personal information from individuals who live in the European Union (EU).
Independent Sales Organisation (ISO)	A third-party organisation representing a bank or other financial institution that sells and promotes its services, including merchant acquiring services, point of sale devices and other services. An Independent Sales Organisation sets up partnerships with various banks to find, open and manage merchant accounts and provide services on behalf of the financial institutions it represents, and administers merchants' services of the bank or payment processor.
Independent Software Vendor (ISV)	An organisation specialising in making and selling software, designed for mass or niche markets. This is in contrast to in-house software, which is developed by the organisation that will use it, or custom software, which is designed or adapted for a single, specific third party. Although ISV-provided software is consumed by end users, it remains the property of the vendor.
Issuing / Issuer	A bank or financial institution that issues payment cards (credit or debit cards) to consumers. The issuer is responsible for the billing and collecting of funds for purchases that were made using that card and pays the acquiring bank for purchase of goods and services made by the cardholder.

Mergers & Acquisitions (M&A)	A general term used to describe the consolidation of companies or assets through various types of financial transactions, including mergers, acquisitions, consolidations, tender offers, purchase of assets, and management acquisitions.
Merchant	An entity, usually a shop, retailer, or any other firm or organisation, that sells goods and services either in store or on the internet. A merchant collects funds from its consumers by accepting card payments or other payment methods.
Omni-channel	Refers to the ability of accepting and integrating payments through multiple channels – whether that is in person through a point-of-sale system, online, or through apps. Omni-channel payments involve an integrated, consistent experience across different sources and enable consumers to conduct transactions in whatever way suits them best.
Payment Facilitator (PayFac)	A merchant services provider that simplifies the payments lifecycle from enrolment through processing and reporting.
Payment Service Provider (PSP)	An organisation that offers merchants online services for accepting electronic payments by a variety of payment methods including credit card, bank-based payments such as direct debit, bank transfer, and real-time bank transfer based on online banking.
Point of Sale (POS)	A hardware device that allows a consumers and shoppers to make a payment at the merchant's shop. This payment is usually made using cards (debit or credit).

3 RISK FACTORS

PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER WITH THEIR OWN INDEPENDENT FINANCIAL AND OTHER PROFESSIONAL ADVISERS THE FOLLOWING RISK FACTORS AND OTHER INVESTMENT CONSIDERATIONS, AS WELL AS ALL THE OTHER INFORMATION CONTAINED IN THE PROSPECTUS, BEFORE MAKING ANY INVESTMENT DECISION WITH RESPECT TO THE COMPANY.

THE RISKS AND UNCERTAINTIES DISCUSSED BELOW ARE THOSE IDENTIFIED AS SUCH BY THE DIRECTORS OF THE COMPANY AS AT THE DATE OF THE PROSPECTUS, BUT THESE RISKS AND UNCERTAINTIES MAY NOT BE THE ONLY ONES THAT THE COMPANY FACES. ADDITIONAL RISKS AND UNCERTAINTIES, INCLUDING THOSE WHICH THE COMPANY'S DIRECTORS ARE NOT CURRENTLY AWARE OF, MAY WELL RESULT IN A MATERIAL IMPACT ON THE FINANCIAL CONDITION AND OPERATIONAL PERFORMANCE OF THE COMPANY.

IF ANY OF THE RISKS DESCRIBED WERE TO MATERIALISE, THEY COULD HAVE A SERIOUS EFFECT ON THE COMPANY'S FINANCIAL RESULTS, TRADING PROSPECTS AND THE ABILITY OF THE COMPANY TO FULFIL ITS OBLIGATIONS UNDER THE SECURITIES TO BE ISSUED IN TERMS OF THE PROSPECTUS. ACCORDINGLY, THE COMPANY CAUTIONS PROSPECTIVE INVESTORS THAT THESE FORWARD-LOOKING STATEMENTS ARE SUBJECT TO RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL EVENTS OR RESULTS TO DIFFER MATERIALLY FROM THOSE EXPRESSED OR IMPLIED BY SUCH STATEMENTS, THAT SUCH STATEMENTS DO NOT BIND THE ISSUER WITH RESPECT TO FUTURE RESULTS AND NO ASSURANCE IS GIVEN THAT THE FUTURE RESULTS OR EXPECTATIONS WILL BE ACHIEVED.

3.1 RISKS RELATING TO THE COMPANY AND ITS BUSINESS

A. Execution risk

The Groups' growth strategy involves a variety of projects, activities, undertakings and investments which lead to a complex, multi-project management which is typical for a tech-driven, competitive and innovative environment and an ambitious growth strategy.

Since RS2's performance partially depends on third parties, resources are limited, and there are limitations on back-up service providers to cover capacity gaps on RS2's core applications, RS2 might face execution risk in delivering against demand. On the other hand, clients might delay or postpone projects or just take a stretched implementation path, as seen particularly during COVID-19 times. Both might lead to unplanned extraordinary costs, penalties and delays of projects, all of which may cause a negative impact on revenues and profits. RS2's growth is dependent on its ability to retain existing clients, attract new clients for its Software Solutions business and increase the processed transaction volumes and revenue in its Processing and Merchant Solutions from both new and existing clients.

Regulatory issues related to the financial industry, such as General Data Protection Regulation (GDPR) and EU Directive 2016/1148 concerning measures for a high common level of security of network and information systems, might impact the way RS2 operates today and might require RS2 to modify its corporate structure, risk strategy and may require additional infrastructure expenditure.

B. Access to capital and funding

The market demand for ongoing technical development, the implementation of regulatory requirements, the competitive situation and the implementation for RS2's growth strategy will require material financial investments over the next few years.

The Group's primary sources of further funding can be through a combination of capital increase, cash flow based self-financing and debt financing (particularly for M&A transactions). Taking into consideration the Group's current capital base and the significant investment required to expand in new markets and in new business lines, the Group's funding capabilities could be limited.

Competitors in larger, more liquid markets have access to alternative and broader funding sources and can drive M&A transactions, in particular, more aggressively to add missing capabilities to their platform or gain quicker access to new markets than RS2.

C. Market forces and competition

The market in which the Group operates is characterised by rapidly evolving technology and industry standards. Many of the companies that compete with the Group have substantially greater financial, technical and marketing resources, long operating histories, greater name recognition, larger client bases and well-established relationships. To maintain its established position within the market, RS2 will be required to continue to invest significantly into its strategy and global expansion. The established players, while processing primarily on legacy and decentralised systems, have however the financial power to invest large amounts of money in technical developments as well as acquisitions to close the gaps or even bypass RS2.

The global payment market, while growing, has seen new competitors entering the market. FinTechs and BigTechs have been entering the market and are driving change and market disruption, bringing new business models to the market. While RS2 is benefiting from the demand of many of these players, these might become competitors in the mid to long term.

These new competitors may have more financial resources, be willing to accept lower return on capital, or may have other economic arrangements through the cross selling of other services, which may place them at an advantage over RS2. In addition, other processors and payment companies may provide more favourable terms to potential or existing clients of RS2 or employ more effective marketing which may lead to loss of client base, existing or potential. Overall, the payment market has seen consolidation, increasing cost pressure and margin compression. These trends, which have so far been somewhat set off by the overall market growth, are expected to continue in the coming years.

If RS2 is unable to compete with such companies and meet the need for innovation in its industry, the demand for RS2's platform could stagnate or substantially decline. RS2 could experience reduced revenue or its processing platform could fail to achieve or maintain more widespread market acceptance, any of which could have a material adverse effect on RS2's business, results of operations, financial condition or prospects.

D. Forward-looking statements and projections risk

The forward-looking statements and future projections included in the Prospectus are primarily based on new business expected to be generated by the Group, which new business is exposed to higher uncertainty than the existing core business, which is a rather stable growing business. While the new business pipeline remains strong and RS2 has delivered against the planned strategy and budgets of the various new clients, COVID-19 has shown that clients might delay, postpone or prolong the implementation on their side. Consequently, results may differ from the Group's projections and plans set out in this Prospectus. Other factors, e.g. projection of the market development, regulatory issues, deviations in interest rates and technology developments, may also result in a different dynamic than originally anticipated.

Since RS2 is a project driven organisation, the business is characterised by a large number of projects carried out for its clients, the further development of RS2's solutions (e.g. entering the Acquiring and Issuing business) as well as fulfilling regulatory or new technology requirements. Naturally, large projects have a more significant impact on the total operating performance of the Group compared to smaller projects. Larger projects may, therefore, lead to considerable fluctuations on the Group's performance and financial position.

By their nature, forward-looking statements and projections are based on management's best estimates and assumptions, thus the actual performance may eventually result to be different to those projections. This holds particularly true for the Merchant Solutions business since it is a new business line and as such carries more uncertainties than established business.

E. Dependence on key clients

RS2 generally benefits from a highly diversified global client base, including Banks, PayFacs, PSPs, ISVs, acquirers and issuers. However, since some of its clients are large and global corporates with a high aggregated payment and processing volume, these key clients stand for a large proportion of the Group's revenue. Although management believes that its relationships with these key clients are stable, its ability to renew existing agreements with them, or to enter into new contractual relationships, on commercially attractive terms, depends on a range of commercial and operational factors and events, any of which may be beyond RS2's control.

Although RS2 provides a modern, flexible and highly scalable processing solution, there can be no assurance that a competitor will not, in the future, offer a more attractive proposition, or that the Group's clients will invest in in-house processing solutions and will insource existing business. If a significant proportion of these key clients were to suspend, limit or terminate their relationships with RS2 or withdraw part or all of their contracts, RS2's business, results of operations, financial condition and prospects would be materially adversely affected.

F. Dependence on key personnel

RS2's success and growth has been dependent on the loyalty and dedication of its pool of highly skilled employees and key personnel including its executive officers and key management team, and as such this has been a main driver of the Group's historical success in delivering large and strategic projects contributing to the Group becoming a global player in the payment industry. Although no single person is solely instrumental in fulfilling the Group's business objectives, there is no guarantee that these objectives will be achieved to the degree expected following the loss of certain key personnel. The loss of the service of executive officers or other key personnel, and the process to replace any of them, could involve significant time and expense and may significantly delay or prevent the achievement of RS2's business objectives. Any of these risks could have a material adverse effect on RS2's business, results of operations, financial condition or prospects.

Many of the companies with which RS2 competes for experienced employees may have more resources than RS2 and may be able to offer more attractive terms of employment, such as higher compensation and share option plans. Should the Group fail to retain these employees or not manage to continue attracting highly skilled employees in the future, it may not be able to achieve its anticipated level of growth and its business could suffer.

RS2 may also face challenges in recruiting or retaining highly skilled employees for reasons unrelated to compensation. RS2's head office is based in Malta and a large proportion of the administration and of the service provision is performed from its head office in Malta. The local talent-pool is limited, and competition for highly skilled technical and financial personnel is intense. Recruiting high potential and knowledgeable employees within RS2 and also retaining these employees can be challenging.

G. Software risk

It is an inherent risk of this industry that software applications could contain undetected errors which could lead to the software not operating as intended. Any failure of the Group's current or future platforms, software and technology infrastructure, including the Cloud-Solution, could materially adversely affect its business, results of operations, financial condition or prospects. RS2 has developed and continues to develop its own bespoke processing platform BankWORKS®, software and technology infrastructure and operates and maintains the processing-platform, which are critical to RS2's operations, customer service and reputation. RS2's current or future platform, software and technology infrastructure may be subject to certain defects, failures or interruptions, including those caused by computer "worms", viruses, power failures, natural disasters or security breaches, whether accidental or wilful.

Any failure in the systems and technology developed, maintained or used by RS2 could result in a negative experience for the Group's clients and their customers, adversely impact RS2's operational effectiveness, delay introductions of new features or enhancements, result in errors, compromise RS2's intellectual property, and/or potentially result in monetary loss among other things. In addition, certain operations interface with, or depend on, systems and technology operated by third parties which are outside the control of RS2, and RS2 may not be in a position to verify the risks or reliability of such third-party systems. The implementation of upgrades and changes of RS2's platform, product features, software and technology requires significant investments. RS2's results of operations may be affected by the timing, effectiveness and costs associated with the successful implementation of any upgrades or changes to these systems and infrastructure.

H. Cyber security risk

Similar to business and technology, cyber threat evolves and is always present. The most common cyber security threats result in risks associated with either data breach or service provision disruptions. All ranges of IT platforms are exposed to many forms of threats, including legacy systems, modern cloud-based solutions plus systems that facilitate end-user communications and mobility. Criminal groups capitalise on new technologies to identify targets and launch attacks on an industrial scale. The changing scale and nature of cyber-crime means every business is a potential target.

The nature of RS2's business and of its customers and partners who use the processing services, involve systems and environments that possess large amounts of sensitive data. RS2 cloud services and data centres as well as its operations, store and transmit sensitive information related to cardholders, merchants and financial institutions including names, addresses and accounts amongst other information that could be vulnerable to computer viruses, physical and cyber-criminal attacks and web fraudsters that could lead to destruction or theft of transaction data and/or personal data. This could lead to financial losses or delays in providing its services to customers.

The most common threats that pose the highest levels of risk include malware, social engineering, phishing, physical theft or loss of data, denial of service attacks, data breach, insider threat from Group employees and system intrusion. RS2 will continue expanding its security resources and tools to fight and protect its systems and facilities in order to cover any attack or eventualities using its disaster recovery system and procedures the Group has built in various locations to fit this purpose.

While RS2 takes several approaches to detect and prevent such risks through vulnerability scanning, awareness training, ongoing investment in security operations, incident security planning, supply chain monitoring, information security policies, compliance with regulatory requirements through annual audits and finally insurance, it cannot completely eliminate such threats. Any failure of such mitigation measures could materially adversely affect its business, results of operations, financial condition or prospects.

I. Adaptability to technological changes

The Group's future success depends in part on its ability to develop enhancements to the existing products and to introduce new products that keep pace with rapid technological developments, changes in clients' needs and any changes in the regulatory environment. Failure to successfully introduce new or enhanced products to the market may adversely affect the Group's business, financial condition and results of operations.

No assurance can be given that the Group's products and services will be developed in time to capture market opportunities, will achieve a sufficient level of acceptance in new and existing markets or that RS2 will successfully anticipate rapid technological changes, new industry standards or changes in the regulatory environment.

J. Risk to intellectual property and proprietary rights

The Group regards its intellectual property as critical to its success. It relies and will rely on a combination of trade secret, copyright, trademark and non-disclosure laws, domain name, registrations and other contractual agreements and technical measures to protect its intellectual proprietary rights ("**IPR**"). RS2 generally seeks to enter into confidentiality or licence agreements with its employees, consultants and clients. The Directors consider that, currently, RS2 has appropriate systems and procedures to control access to and distribution of its intellectual property documentation and other proprietary information and are continually on the lookout for new tools to protect its IPR in the future.

Despite the Group's efforts to protect such proprietary rights, unauthorised parties may attempt to obtain and use information that the Group regards as proprietary. There can be no assurance that the steps which have been, are being or will be taken by the Group to protect its proprietary information will prevent misappropriation of such technology and proprietary information and that such measures will not preclude competitors from developing products with functionality or features similar to the Group's. In addition, effective copyright and other legal protection may be unavailable or limited in certain countries, and failure by the Group to register its intellectual property rights in certain countries may make enforcement of its rights more difficult.

Legal proceedings to enforce, protect or defend the Group's intellectual property rights assigned and/or developed could be burdensome and expensive and could involve a high degree of uncertainty. If the Group cannot successfully enforce or defend such rights, this could have a material adverse effect on its business and financial condition.

Furthermore, although procedures are in place to ensure that third parties' rights are not infringed in the software development process, such procedures may not be sufficient to guarantee full compliance.

K. Compliance risk

The Group, via its subsidiary RS2 Financial Services GmbH, is in the application process for an E-Money-Institution (EMI) licence with BaFin, the German financial authority. Once approved and licensed as an EMI, RS2 will be subject to a number of regulatory controls, reporting duties and organisational requirements, designed to maintain the safety and soundness of business, ensure its compliance with economic and other objectives and limit its exposure to risk.

RS2 therefore faces risks associated with a rapidly evolving regulatory environment pursuant to which it is required, amongst other things, to maintain adequate capital and liquidity resources and to satisfy specified capital and liquidity ratios at all times. The interpretation and application by regulators of existing laws and regulations to which RS2 is subject may also change from time to time. Any legislative or regulatory actions and any required changes to RS2's business operations resulting from such legislation and regulations, may result in loss of revenue, limit the ability to pursue business opportunities in which RS2 might otherwise consider engaging or limit the ability to provide certain products and services, affect the value of assets held, impose additional compliance and other costs or otherwise adversely affect its business. There can be no assurance that future changes in regulations or in their interpretation or application will not adversely affect RS2 and its financial position.

L. Integration risk for Mergers & Acquisitions ("M&A")

Since its inception, RS2's strategy has been to grow organically as a technology software provider. As the Group seeks to build its new Merchant Solutions business segment, it has adapted its strategy to consider M&A transactions that could help accelerate market entry and add on products that have to date not been considered as core to the Group's business, but which would offer a consolidated proposition to its clients. The Group started the implementation of the new adapted strategy and in 2020 completed its first acquisition of KALICOM Zahlungssysteme GmbH.

Going forward, further acquisitions may be considered as part of RS2's disciplined, phased and strategic geographical expansion. Any acquisition that RS2 undertakes could subject it to integration and other risks and difficulties, including:

- the need to support and integrate with local technical solutions which could be subject to different regulatory environment depending on the respective jurisdiction;
- difficulties in aligning the acquired company's internal controls and processes to those of RS2;
- difficulties in integrating the acquired company's organisation due to corporate culture differences;
- difficulties in retaining employees who may be vital to the integration of the acquired business or to the future prospects of the combined businesses;
- inability to eliminate inefficiencies, overlapping and redundant marketing, finance, general and administrative functions;
- increases in other expenses unrelated to the acquisitions, which may offset the cost savings and other synergies from the acquisitions; and
- unanticipated costs and expenses associated with any undisclosed or potential liabilities.

As a result of these risks, there can be no assurance that the Group will be able to realise the full anticipated cost savings, synergies or revenue enhancements from any such acquisitions. Any of these risks could result in goodwill impairment and have a material adverse effect on RS2's business, results of operations, financial condition or prospects.

The Group also faces the risk that its competitors may follow similar acquisition strategies with greater financial resources available for investment or willingness to accept less favourable conditions than those which the Group is able or willing to accept, preventing RS2 from acquiring such targets, to the benefit of its competitors.

4 IDENTITY OF DIRECTORS AND AUTHORISATION STATEMENT

4.1 DIRECTORS AND COMPANY SECRETARY

The Directors of the Company, whose details are included in section 12.1 of this Registration Document, are the persons responsible for the information contained in the Prospectus. Having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of the Directors' knowledge, in accordance with the facts and contains no omission likely to affect its import. The Directors accept responsibility accordingly.

4.2 AUTHORISATION STATEMENT

This Registration Document has been approved by the Listing Authority, as the competent authority under the Prospectus Regulation. The Listing Authority only approves this Registration Document as meeting the standard of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of the Company that is the subject of this Registration Document.

5 ADVISERS & AUDITORS

5.1 ADVISERS

The persons listed under this sub-heading have advised and assisted the Directors in the drafting and compilation of this Prospectus.

Legal Counsel

GTG Advocates
66, Old Bakery Street,
Valletta, VLT 1454

Independent Accountants

Deloitte Services Limited
Deloitte Place,
Triq L-Intornjatur,
Central Business District, CBD 3050

Joint Sponsors

Rizzo Farrugia & Co (Stockbrokers) Ltd.
Airways House, Fourth Floor,
High Street,
Sliema, SLM 1551

Calamatta Cuschieri Investment Services Ltd.
Ewropa Business Centre,
Triq Dun Karm,
Birkirkara, BKR 9034

Manager & Registrar

Bank of Valletta p.l.c.
BOV Centre, Zone 4, Business District,
Cannon Road, Santa Venera, CBD 4060

5.2 AUDITORS

The Company's statutory auditors are:

Deloitte Audit Limited
Deloitte Place,
Triq L-Intornjatur,
Central Business District, CBD 3050
Company Registration No: C 51312

Deloitte Audit Limited is a limited liability company authorised to provide audit services in Malta in terms of the Accountancy Profession Act (Cap. 281 of the laws of Malta).

The annual financial statements of RS2 Software p.l.c. for the years ended 31 December 2018 to 2019 have been audited by Deloitte Audit Limited. The annual financial statements of RS2 Software p.l.c. for the year ended 31 December 2017 have been audited by KPMG. KPMG is a civil partnership, authorised to provide audit services in Malta in terms of the Accountancy Profession Act (Cap. 281 of the laws of Malta). The registered office of KPMG is Portico Building, 92, Marina Street, Pieta, PTA 9044.

In line with the new EU mandatory rotation rules[1], the Company issued a request for proposals for audit services upon the expiry of KPMG's ten-year term as auditors of the Company, following which Deloitte Audit Limited were appointed as auditors at the Annual General Meeting held on 19 June 2018.

6 INFORMATION ABOUT THE ISSUER AND THE GROUP

6.1 THE ISSUER

Legal Name of the Company:	RS2 Software p.l.c.
Registered Address:	RS2 Buildings, Fort Road, Mosta, MST 1859
Place of Registration and Domicile:	Malta
Registration Number:	C 25829
Date of Registration:	5 April 1993
Legal Form:	The Company is lawfully existing and registered as a public limited liability company in terms of the Act
Telephone No:	+356 2134 5857
Email Address:	investorrelations@rs2.com
Website:	www.rs2.com*
Legal Entity Identifier (LEI):	2138004MEYJUDFJ3IQ49

** The information on the Issuer's website does not form part of the Prospectus unless that information is incorporated by reference into the Prospectus.*

[1] Directive 2014/56/EU of the European Parliament and of the Council of 16 April 2014

6.2 HISTORY AND DEVELOPMENT OF THE GROUP

The origins of the Company stem back to 1988 when two international banking executives partnered to develop a software solution as a core banking application to manage the services offered by banks and other financial institutions such as current and corporate accounts, foreign exchanges, retail business activities and other banking related services based on client server technology rather than on a high maintenance and high-cost mainframe platform. The system was successfully deployed at a small bank in Germany. In 1989, they were approached by one of the international card organisations to deliver a card-based management system for a small bank in Malta - Mid-Med Bank Ltd (now HSBC Bank Malta plc). The system was implemented at Mid-Mid Bank enabling the bank to successfully issue credit cards and acquire POS merchant transactions. In the 1990s, there was a big demand for card management systems and in 1993 the Company was established. This demand directed the founders of RS2 to change their strategy of selling core banking applications to one which focused more on the development and the distribution of their card management system, which used to be a niche market at the time.

Having designed and introduced a new programming concept in the early 1990's, RS2 penetrated the Central and Eastern European and Mediterranean markets with their electronic payment and card management solutions.

Being a software company positioned RS2 at the forefront of developments in the payments processing technology and enabled RS2 to drive innovation and digitalisation. In 2001, RS2 became an omni-channel enabler for e-commerce by delivering the platform for one of its clients in Europe being one of the first omni-channel transaction processors.

Until 2013, RS2 focused on selling licences to use its processing software BankWORKS® to financial institutions and service providers across the globe. Revenue was generated from payments for the licences of the software in perpetuity (generally one-time) and regular payments for service and upkeep of the platform, performed by RS2 staff. RS2 continued to focus on onboarding new clients, while servicing existing clients thus providing a stable base to fund operations of the business. RS2 was successful in continuously onboarding new clients historically, thus consistently generating strong revenue growth.

In 2013, there was a further development in the Group's strategy as it started to focus on offering a new Processing Solution. In the meantime, however, it continued to provide development and maintenance services to its licensed clients. The Processing Solution is what is commonly referred to as a 'managed service' processing of transactions on behalf of clients while using the Group's own BankWORKS® software solution.

The reasons for the Group shifting its strategy were based on the following considerations:

- a mega-trend in the payment industry pointing at payment service providers, payment facilitators and independent sales organisations creating a demand for such an offering;
- consolidation and globalisation in the payment business requiring a modern and global platform; and
- revenue streams of the Processing Solution being more attractive than the licensing model (further information is included in section 7.2 below).

In 2014, the Group intensified its internationalisation by steadily moving ahead with its expansion plans to open and develop new regional offices across the globe. It expanded its operations beyond Europe by investing in North America and Asia Pacific (APAC). Having already owned 26% of Transworks LLC in North America, during 2014 RS2 increased its shareholding to 64.2% (currently standing at 57.05% as at the date of this Prospectus)[2] in this company. The company was renamed to RS2 Software, Inc. and the Group built up its operation to service the market by establishing a new office in the United States at the Denver Tech Centre in Denver Colorado with the intention of working very closely with financial institutions, international sales organisations (referred to as ISOs) and payment gateways to provide issuing, acquiring, chargeback and reconciliation services.

In the APAC region, RS2 established presence by incorporating a new subsidiary in Manila, Philippines to provide development and support services for the local market while also operating as a satellite development centre for RS2's headquarters.

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[2] Following certain share ownership arrangements entered into by RS2 Software, Inc., with an executive and other key personnel as detailed in section 14.4 of this Registration Document, the shareholding of RS2 Software p.l.c. was diluted from 64.2% to 57.41% (see also section 6.3.1).

At a time when the majority of its clients had a perpetual licence to use BankWORKS®, RS2 continued to re-dimension its strategy towards onboarding new clients to its managed services model and, in 2015, it changed its approach towards licensing by being selective in this business, particularly in the United States and Europe markets where the Group saw considerable potential for the processing business. RS2 undertook a major organisational shift in order to pursue this new strategy, fully repositioning the salesforce, its service delivery staff and its potential client list, with the aim to continue to deliver a service of a high-level quality in the long-term best interest of the Group.

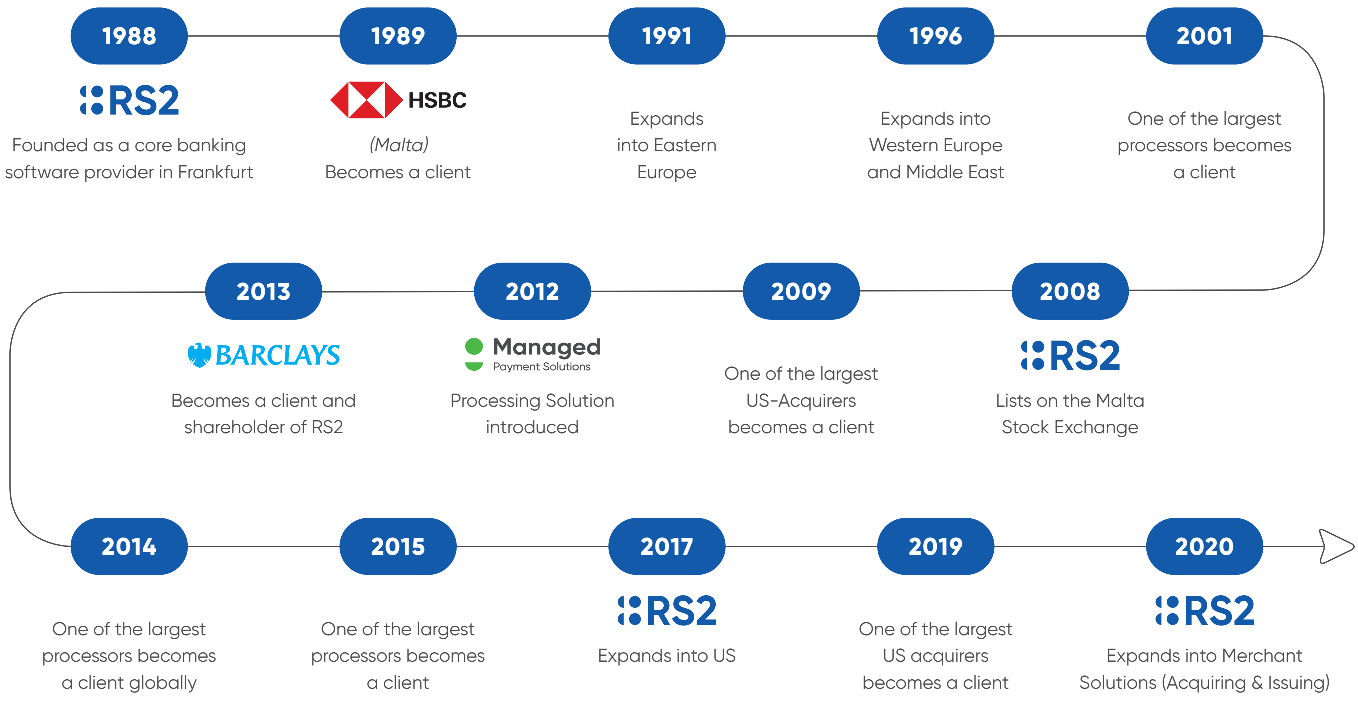
In 2020, RS2 decided to pursue a third strong pillar in addition to the managed services business by entering into direct merchant acquiring and issuing services by building a solid and competitive offering in the market to be in a position to provide a more comprehensive service offering to its clients and attract new ones. The Group applied for its own E-Money Institution (EMI) licence that will be regulated by BaFin (the German financial authority). This will result in a substantial change in the revenue model for the Group as it will be able to charge a percentage of the transaction value, rather than a flat fee per transaction, as in case of the Processing Solution.

RS2 will continue to build on its experience of over 30 years in payments by focusing on enhancing its products and services solutions and diversifying its revenue models and business offerings across a variety of existing and new clients.

Figure 1 below shows the important events in the development of RS2's history:

RS2 History

Over 30 years of experiences in payments and early mover in e-commerce & omni/multi-channel in 2001



RS2 has gradually transformed into a global, diversified provider of comprehensive payment solutions

Figure 1 *- Important events in the development of RS2's history, Source: Management Information*

6.3 ORGANISATIONAL STRUCTURE & MAJOR SHAREHOLDERS

6.3.1 ORGANISATIONAL STRUCTURE

The organisational structure of the Company as at the date of the Prospectus is illustrated in the diagram below:

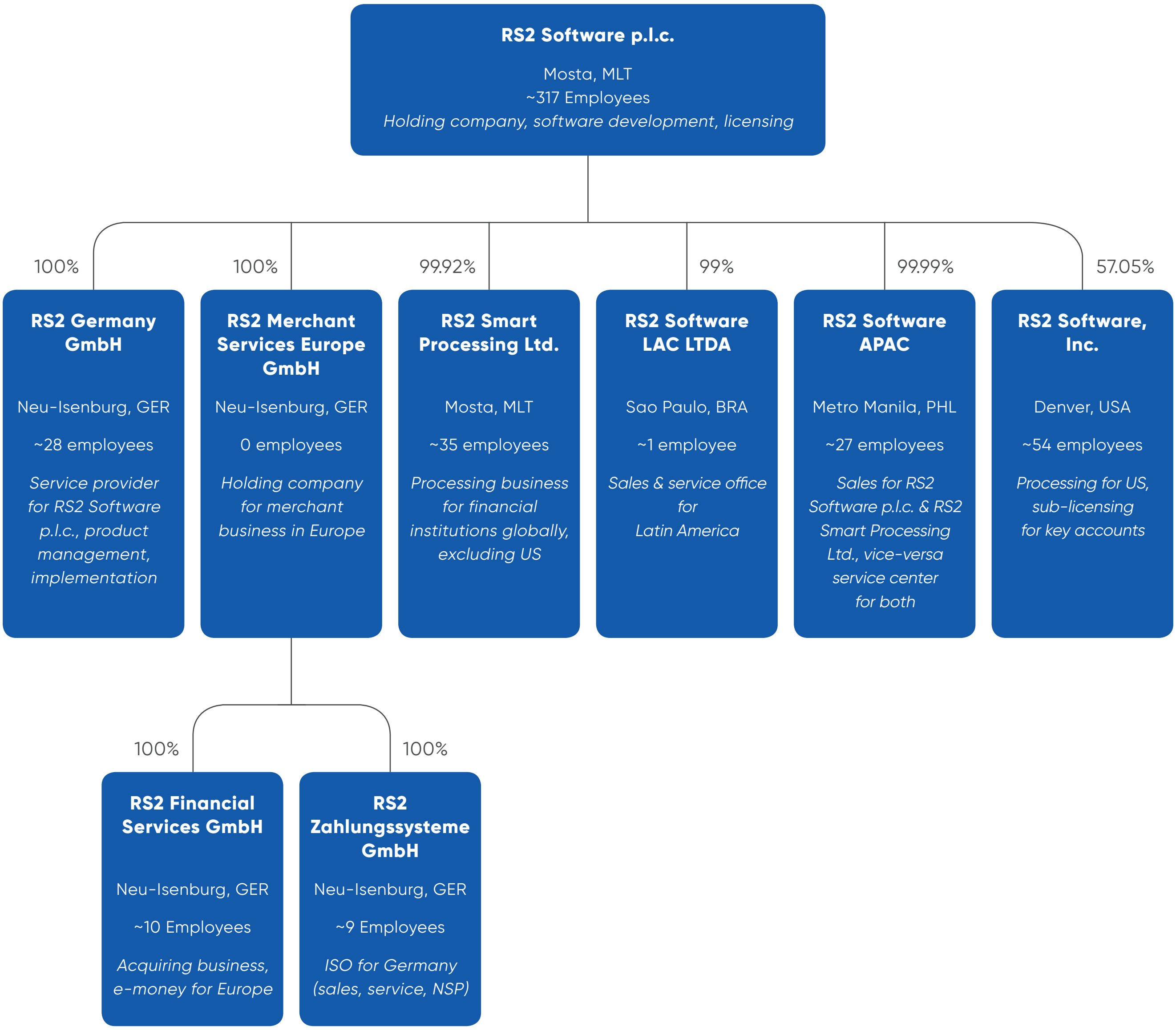


Figure 2 *- RS2 Group organisational structure*

RS2 Software p.l.c. is the parent company of the Group and holds the intellectual property rights to BankWORKS®, which has been internally developed by RS2's technical team throughout the years. BankWORKS® is the flagship solution of the Group and it continues to remain a main focus of the Group as it is the basis for all three business lines (see section 7.1 below). All core development within BankWORKS®, in line with the technology road map, is centralised within RS2 Software p.l.c., while each subsidiary performs a specific role within the respective business line.

The following is a list of all subsidiaries and their details:

Name	Registered Number	Registered Office	% Shareholding	Business Line
RS2 Smart Processing Limited	C 56484	RS2 Buildings, Fort Road, Mosta MST 1859 Malta	99.92%	Processing Solutions
RS2 Software, Inc.	82-5471416	Twelfth floor, Suite No. 1285, South Ulster, Denver, Colorado USA	57.05%[3]	Processing Solutions
RS2 Software LAC LTDA	35.229.038.882	Rua Manoel de Nobrega Municipio de Sao Paulo Estado de Sao Paulo Brazil	99%	Software Solutions
RS2 Software APAC	CS201606521	Unit 1501 AccraLaw Tower 2nd Avenue Corner 30th Street Bonifacio Global City Barangay Fort Bonifacio Taguig City 1634, Metro Manila Philippines	99.99%	Software Solutions
RS2 Germany GmbH	HRB 50934	Martin-Behaim-Straße 15a 63263 Neu-Isenburg Germany	100%	Software Solutions
RS2 Merchant Services Europe GmbH (formerly RS2 Holding Europe GmbH)	HRB 52553	Martin-Behaim-Straße 15a 63263 Neu-Isenburg Germany	100%	Merchant Solutions

RS2 Holding Europe GmbH holds the following subsidiaries:

Name	Registered Number	Registered Office	% Shareholding	Business Line
RS2 Financial Services GmbH	HRB 51924	Martin-Behaim-Straße 15a 63263 Neu-Isenburg Germany	100%	Merchant Solutions
RS2 Zahlungssysteme GmbH (formerly KALICOM Zahlungssysteme GmbH)	HRB 52353	Martin-Behaim-Straße 15a 63263 Neu-Isenburg Germany	100%	Merchant Solutions

[3] In view of the share ownership arrangements with an executive and other key personnel of RS2 Software, Inc. as detailed in section 14.4 of this Registration Document, the shareholding of RS2 Software p.l.c. as at the date of this Prospectus stands at 57.05%. Once all vesting conditions of all share ownership arrangements are satisfied, the shareholding will amount to 56.27%.

6.3.2 MAJOR SHAREHOLDERS:

As at 31 December 2020, the major shareholders of RS2 Software p.l.c. are:

- ITM Holding Limited – 50.04%
- Barclays Bank plc – 18.25%

As far as the Company can ascertain, no other shareholder holds more than 10% of the Ordinary Shares in RS2 Software p.l.c.

The diagram below depicts the full shareholding structure of RS2 Software p.l.c.:

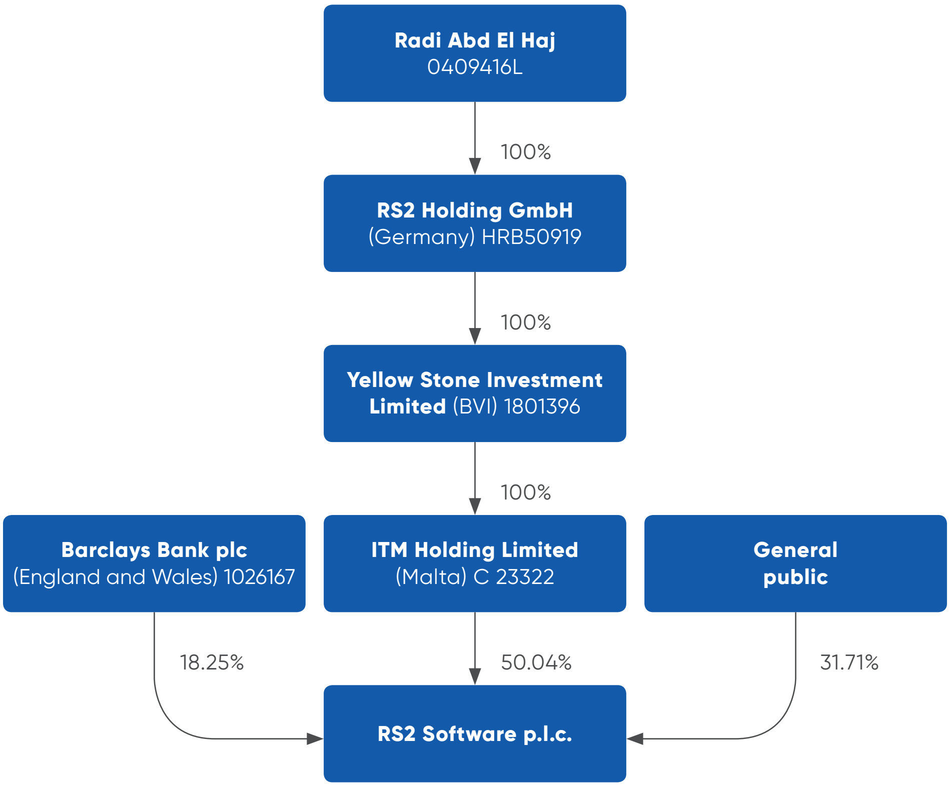


***Figure 3** - RS2 Group shareholding structure, Source: Management Information*

7 BUSINESS OVERVIEW – PRINCIPAL ACTIVITIES & MARKETS

7.1 PRINCIPAL ACTIVITIES OF THE GROUP

RS2 is a global technology software provider specialised in payment solutions for Issuing and Acquiring. The Group provides processing solutions connecting consumers and merchants around the globe using one single modern platform running on the cloud. The Company was founded in 1988 in Frankfurt, Germany and is headquartered in Mosta, Malta. It has approximately 481 employees spread across offices in Malta, Germany, US, Philippines, Jordan and Brazil.

RS2 provides acquiring and issuing services to a wide range of clients starting from large financial institutions, ISVs, PayFacs, ISOs and merchants throughout Europe, Middle East, North America, Latin America and Asia Pacific, covering various industries such as travel, hospitality, retail, gaming, foreign exchange (FX) and healthcare.

BankWORKS® is the flagship solution of the Group providing a wide set of payment services, such as switching and authorisation of payment transactions originating from POS, ATMs, e-commerce or in-store, clearing and settlement, fraud and risk management, disputes management, consumer and merchant portals, invoicing and statements as well as reporting, reconciliation and general ledger accounting, covering more than 180 transaction currencies and settling in more than 80 currencies.

The technology connects banks, merchants, companies and consumers and enables them to make and receive digital payments through a variety of channels (referred in the industry as omni-channels). The business is built on long-standing and deeply-rooted relationships with leading global payment providers. The software has been proven capable of processing up to 80 million transactions per hour, is used by approximately 250 banks and PSPs, and processes *circa* 350 million cards and approximately 16 million merchants globally.

RS2 operates three business segments:

- **Software Solutions** (licensing): engaged in licensing of the Company's BankWORKS® software to banks and financial service providers and generally includes:
  - Selling of term or perpetual licences on a selective basis to banks/financial institutions to utilise the BankWORKS® issuing and acquiring platform;
  - Customisation, implementation and installation services;
  - Upgrades, enhancements and on-going support for the BankWORKS® platform, as well as updates mandated by international card organisations;
  - Additional services including, but not limited to, onsite support for testing, implementation and training beyond the originally defined scope of the initial implementation; and
  - Ad-hoc services as the need arises from clients, generally raised as change requests.

- **Processing Solutions** (managed services): involved in processing of payment transactions utilising BankWORKS® software, including:
  - Offering BankWORKS® as a managed service, where clients can access payments as a service on a private/public cloud solution for acquiring, issuing, clearing and settlement covering multiple omni-channels;
  - Provision of installation services; and
  - Other services such as statements, chargebacks, merchant portal, and e-commerce gateway.

- **Merchant Solutions** (direct acquiring): offering issuing and acquiring payment solutions directly to merchants including terminal and PSP gateway services. This is a new business-line which commenced in early 2020 and which is expected to allow the Group to expand its service offerings within the payment value chain through:
  - Acquiring and issuing solutions to be offered directly to merchants, PSPs and ISVs;
  - Acquiring: offer and manage card-based, wallet, alternative payments for national and international card payment schemes, including selling/renting of terminals, technical network services and clearing and settlement;
  - Issuing: issuing of cards, including pre-paid, gift, and loyalty cards as closed or open-loop systems;
  - Authorisation;
  - Clearing and reconciliation;
  - Fraud and risk management; and
  - Settlement and funding services.

7.2 REVENUE GENERATION BY BUSINESS SEGMENT

Below are the characteristics of each segment in relation to the revenue generation models showing how the recent shift in the business strategy, which is more focused on Processing Solutions and Merchant Solutions, translates into a higher percentage of recurrent revenue for the Group, with major potential for revenue growth in line with growth of the clients' business as well as industry growth.

Software Solutions

RS2 charges a one-time licence fee for perpetual licences and one-time service fee for set-up, customisation and implementation of the Software Solution. Payment terms are generally structured in four installments (upon signing the contract, upon sign off of the project scope, upon delivery and upon acceptance or first transaction processed). The project cycle ranges between 12-18 months depending on the size of the implementation, dependencies the client may have on third parties such as card schemes (Visa, MasterCard, etc.), infrastructure providers and operation readiness of the client itself. In line with the provisions of *IFRS15 – Revenue from Contracts with Customers*, the revenue recognition of the licence and service fees is spread over the term of the implementation period, thus any delays in implementation could affect the performance of the Group. Once the client goes live with the system, RS2 charges a yearly maintenance fee amounting to a percentage of the initial licence fee, and provides additional development and consultancy services that the client may require from time to time. In this model, the Group earns substantial revenue during the implementation period through the licence and service fee, however, this tapers down to a lower annual maintenance fee, and payment for any additional services which are not necessarily guaranteed.

Processing Solutions

In the case of Processing Solutions, the implementation time is reduced to three to six months, while the infrastructure and operation is provided by RS2, thus limiting third party dependencies in going live. An initial implementation fee is charged to the client, however the main revenue is then derived once the client goes live. Revenue is generally charged as a flat fee on a per transaction basis for different types of transactions and other services provided such as:

- Number of authorisations
- Number of settlements
- Number of accounts
- Number of merchants
- POS rental fees
- Price per card held
- E-commerce gateway services
- Price per statements
- Access to merchant portal

These services are invoiced on a monthly basis and are also subject to monthly minimum fees. By comparison to the Software Solutions model, initial revenue is lower, however, this later transforms into recurring revenue to the Group which grows on the basis of the increase in the number of transactions processed and regular services provided.

Merchant Solutions

The revenue model in the Merchant Solutions is rather similar to that of the Processing Solutions with one significant difference. While in Processing Solutions charges are based on flat fees for each transaction processed, with Merchant Solutions revenue is generally generated through a flat fee as well as a percentage of the transaction value. Further information about this business segment is included in section 7.3 below.

The following illustrates the revenue model using an example of a flat rate + percentage fee:

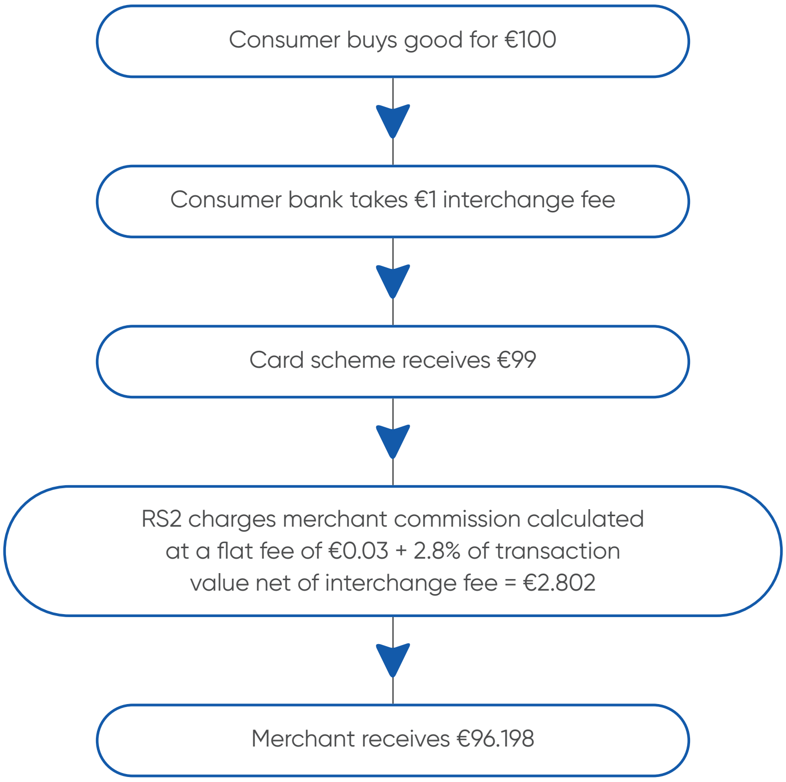
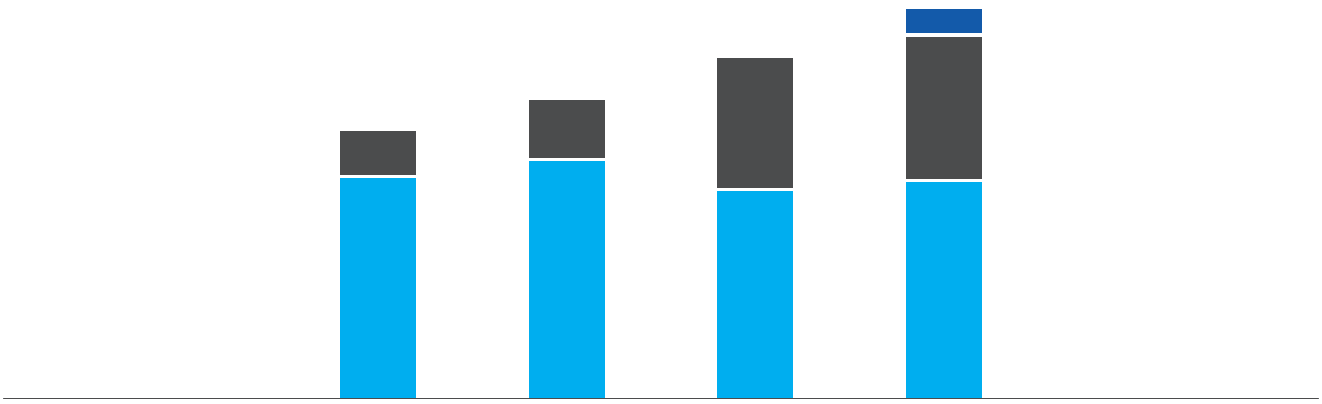


Figure 4 *- Merchant Solutions revenue model, Source: Management Information*

Figure 5 below sets forth the revenue by business segments for the years 2017-2020.

Revenue by Business Segment



	2017A	2018A*	2019A	2020F
Merchant Solutions	-	-	-	1.5
Processing Solutions	2.9	3.8	8.5	9.3
Software Solutions	14.4	15.6	13.6	14.3

Figure 5 *- Revenue by business segment, Source: Annual Reports for the years ended 31 December 2017, 2018, 2019 and Management Information for the year ended 31 December 2020.*

** Revenue for 2018 has been adjusted to eliminate the effect of the first-time implementation of IFRS 15 - Revenue from Contracts with Customers (See section 9.2).*

In summary, the shift in the Group's strategy from its original Licensing Solution towards the Processing and Merchant Solutions is altering the overall Group's revenue generation model from one that is highly dependent on one-time licensing fees to one which is mainly characterised by ongoing and recurring revenue based on the number and value of transactions processed. This change in the revenue model is possible because RS2 is now positioning itself in a different part of the value chain.

7.3 NEW BUSINESS LINE – MERCHANT SOLUTIONS

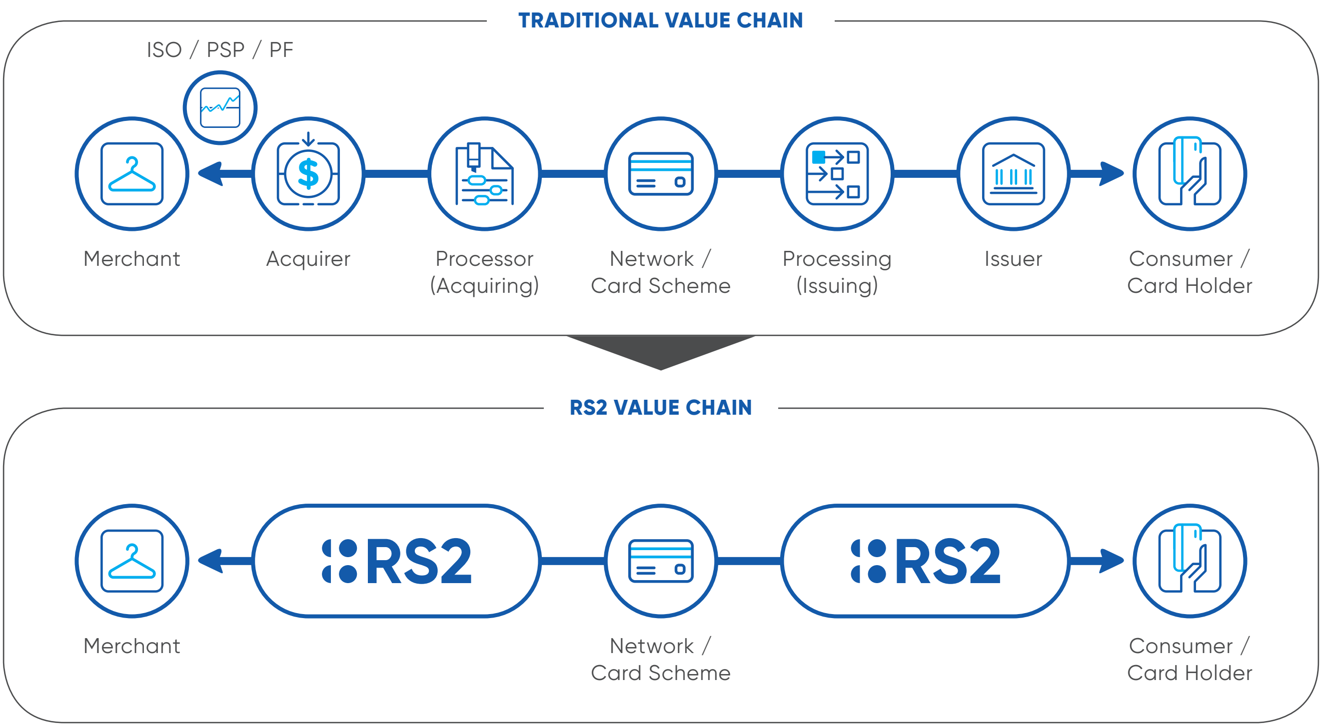
In 2020, RS2 entered into a new era – that of direct merchant acquiring and issuing services - building a solid and competitive offering in the market. This business line is referred to as "Merchant Solutions".

The RS2 merchant acquiring platform provides a wide array of services (including e-commerce gateway, risk and fraud prevention management, processing and point of sales and online acquiring) using one single platform that integrates through API to the merchant's website or store, thereby consolidating the entire business of the merchant across all the respective payment channels. This single integrated platform enables the merchants to offer their products and services globally, by providing them with a reliable, high-performance and secure way of connecting all payment channels (being Visa, MasterCard, American Express or local debit schemes such as Sofort in Germany or iDEAL in Holland or ELO in Brazil) through one platform.

Figure 6 below depicts RS2's strategy of how it will position itself along the payment value through this new business line.

The Payment Value Chain

Six core stakeholders in the traditional chain – RS2 strategy is to consolidate the value chain



The RS2-way: Control the chain, take complexity out, lift synergies to build better solutions

Figure 6 *- RS2's strategy within the value chain, Source: Management Information*

To execute the Merchant Solutions business line, the following will be required and a phased approach will be taken based on the progress:

- E-Money licence from the BaFIN in Germany: The E-money licence will be required in order to manage the merchant funding and to be able to provide acquiring services and to issue payment instruments, mainly pre-paid cards for consumers or to be used to fund micro and small sized merchants.

- Continue building a high performance team: In order to manage the set up and execution of the new business line, an international experienced team is being built-up.

- Market entry strategy: In order to be successful in the execution of its strategy, RS2 will be focusing on two regions to start its own acquiring, primarily Europe and in a second step the US, where it has a solid footprint and a strong local team to start the business.

- Product and services: The product and service offering to target clients in Europe and the US will encompass the following:

  - E-commerce (card not present including PSP services)
  - Card present (including POS terminals and network services)
  - InAPP-Payments
  - Payment gateway
  - Chargeback management
  - Call center services
  - Issuing of pre-paid cards
  - Fraud and risk monitoring services
  - Reporting and reconciliation
  - Interchange optimisation
  - Smart routing increasing the approval rate
  - Dynamic currency conversion
  - Instalments
  - Recurring payments

The rollout of these services will be in phases over the next twelve to eighteen months, whereby the majority of the above mentioned products will be delivered by RS2 Group while others will be delivered through partners with the option to develop these services in-house at a later stage.

The current status of the initiative is the following:

- An e-money licence has been applied for in Germany, at the national financial authority BaFin. The licence is at an advanced stage of the approval process.
- RS2 is currently building up the German merchant service team. Several personnel have already been engaged for most of the key positions including Head of Finance, Head of Strategy and Business Development, Head of Sales, Head of Customer Service and Operations, Legal Counsel and Data Protection Officer, Head of Risk, Head of E-Commerce and Innovation.
- The market entry strategy is defined and a first acquisition was made. In January 2020, RS2 acquired KALICOM Zahlungssysteme GmbH (recently renamed to RS2 Zahlungssysteme GmbH). KALICOM is an ISO and payment provider business for SMEs and selected key account merchants across Germany. The services provided by KALICOM include network service provider, girocard[4] and credit card acceptance, terminals, terminal management, technical maintenance and a wide range of value added services. The acquisition is a starting point for RS2`s direct merchant business with more than 4,000 terminals and over 2,000 merchants under management.

[4] Girocard is an interbank network and debit card service connecting virtually all German ATMs and banks, and is based on standards and agreements developed by the German Banking Industry Committee.

7.4 PRINCIPAL MARKETS OF THE GROUP

RS2 was founded in 1988 and established its operations in Malta shortly after having won a mandate from one of the largest Maltese banks (today HSBC Bank Malta plc) to develop a solution for card based payments. Following this, the Company expanded its operations to Northern, Eastern and Western Europe and the Middle East.

In 2009, RS2 acquired 26% shareholding in Transworks LLC in North America, and in 2014 it acquired a further 38.2% increasing its shareholding to 64.2% (currently standing at 57.05% as at the date of this Prospectus)[5]. The Group built up its operation to service the market by establishing its new office in the United States at the Denver Tech Centre in Denver Colorado with the intention of working very closely with financial institutions, ISOs and payment gateways to provide issuing, acquiring, chargeback and reconciliation services.

In the APAC region, RS2 established presence by incorporating a new subsidiary in Manila, Philippines in 2016 to provide development and support services for the local market while also operating as a satellite development centre for RS2's headquarters.

Today, RS2 has established six offices around the world - Mosta and Xewkija (Malta and Gozo), Frankfurt am Main (Germany), Denver (USA), Amman (Jordan), BGC Manila (Philippines), Sao Paulo (Brazil).

RS2 serves merchants directly and indirectly in 26 countries. The core markets are the US and Europe.

The geographic image below gives an overview about RS2's markets:

Strong Global Presence and Large Untapped Market Potential

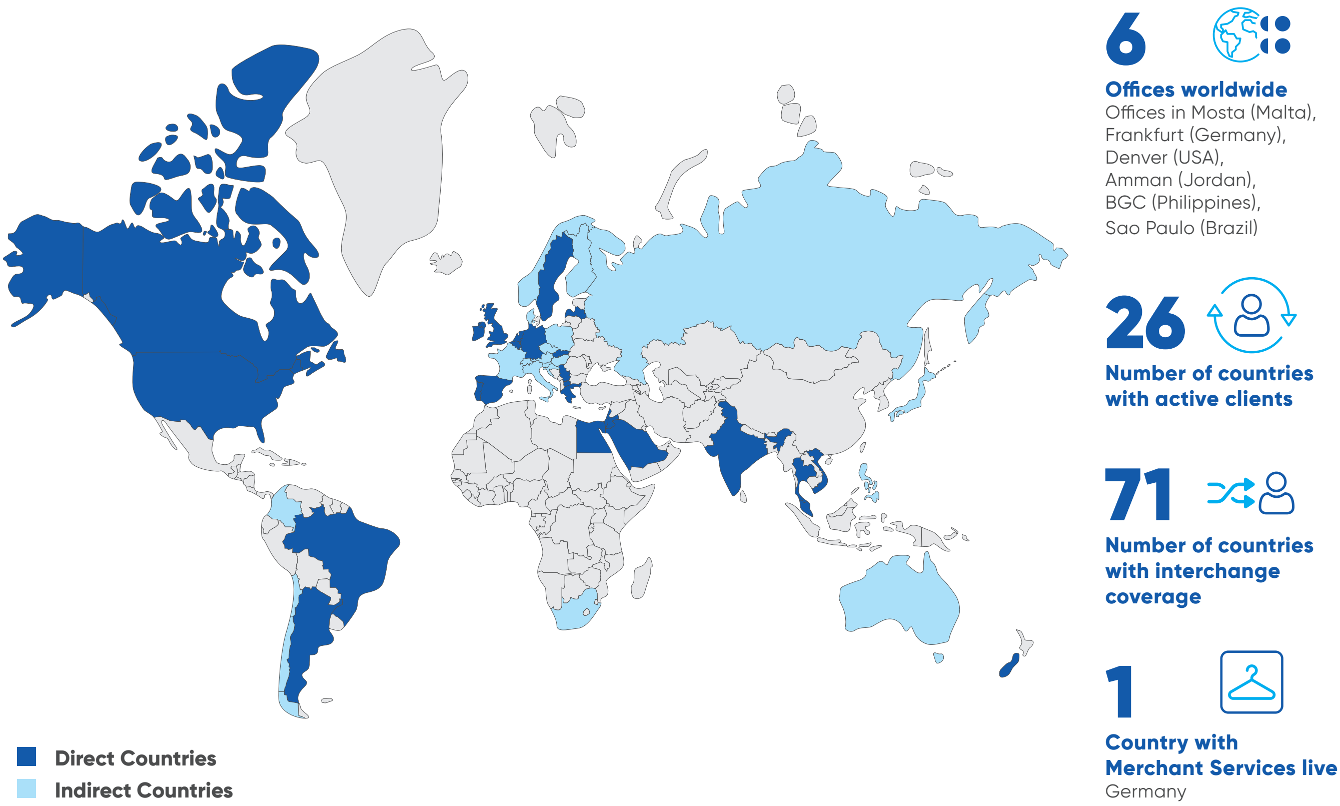


Figure 7 - RS2's global presence, Source: Management Information

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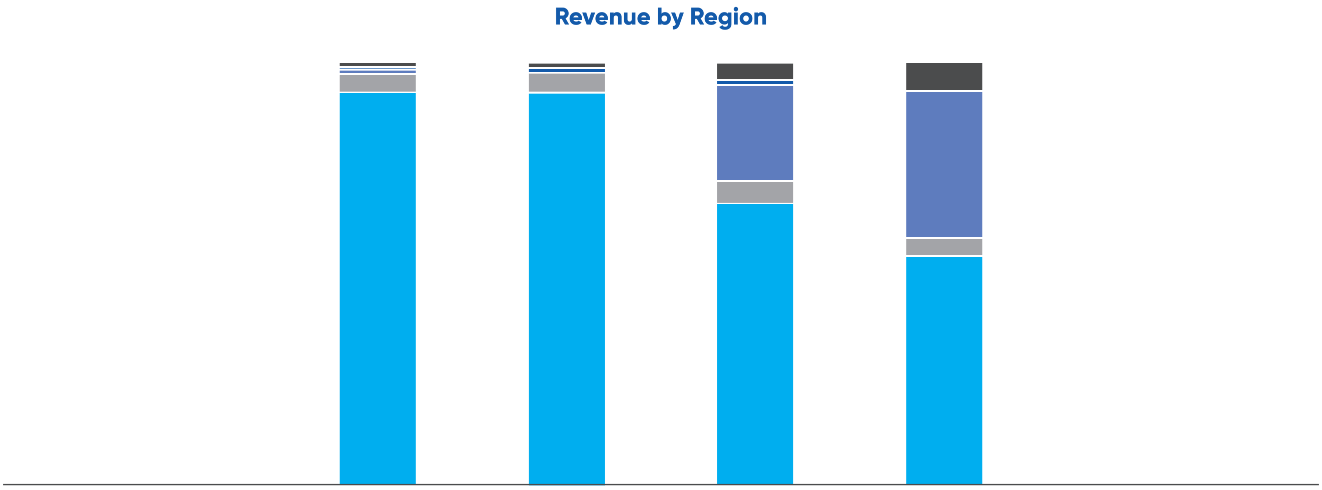
[5] Following certain share ownership arrangements entered into by RS2 Software, Inc., with an executive and other key personnel as detailed in section 14.4 of this Registration Document, the shareholding of RS2 Software p.l.c. was diluted from 64.2% to 57.05% (see also section 6.3.1).

Figure 8 below shows revenue breakdown of RS2 by region:



	2017A	2018A	2019A	2020F
Asia	0.6%	0.8%	3.6%	6.2%
South America	0.1%	0.6%	0.7%	0.0%
North America	0.5%	0.0%	21.9%	33.8%
Middle East	3.8%	4.1%	4.7%	3.6%
Europe	95.0%	94.5%	69.1%	56.4%

Figure 8 *- Distribution of revenue by region, Source: Annual Reports for the years ended 31 December 2017, 2018, 2019 and Management Information for the year ended 31 December 2020.*

7.5 COMPETITIVE STRENGTHS

RS2 is one of the few providers worldwide to offer global omni-channel payment services through a cloud based platform. As such, RS2 is uniquely positioned to enable global clients to process both international and local payments. RS2 provides clients with a single view of their transactions through consolidated reporting and the reconciliation of their entire business across currencies and languages. It has a highly flexible platform allowing clients quicker time to market through a single API integration.

The USPs (Unique Selling Points) and value proposition of RS2, which management believes to be the key differentiators in the market, are the following:

- Reliable performance: robust 99.999% availability and high performance engine;
- One global platform: global state of the art solution and global coverage, instant and real time payments;
- Scalable: cloud-based solution linearly scalable with no lead-time for infrastructure upgrade;
- Omni-channel capability: true omni-channel covering all payment sources (online, offline, mobile);
- API enabled: single platform with single API integration – one source code for SMEs and large enterprises;
- Highly configurable: configurable by client, region, currency, business type and channel;
- Customer experience: high integration over the payment value chain enables superior customer support;
- Value-added services including:
    - Dynamic Currency Conversion (DCC) providing foreign currency exchange services at the point of sale allowing the customer to choose between the merchant currency or his card issued currency;
    - Multi-currency merchant payment accounts such as EUR, USD, CHF, etc;
    - Installments;
    - Reporting;
    - Merchant portal for the merchant to view all their business activities;
    - Partner portal providing the sales agents the possibility to review the business activities with their banks and payment service providers;
    - Global reconciliations;
    - Foreign exchange conversion services for multi-currency businesses;

- DCC, Merchant Cash Advances (MCA), instalments, reporting, merchant and partner portal, global reconciliation and FX;
- Through holistic market-approach (issuing, acquiring, processing), high customer retention, strong monetisation of customer relationship as well as cost advantages; and
- Through global solution, positioning RS2 in the main growth areas in payment (regions and solutions).

The payment market is led by huge, international processors and integrated payment companies. Leading industry players are investing in and acquiring other businesses to keep up with the changing ecosystem that continuously upgrades itself. The main trend of most players is that of striving for control of a greater portion of the payment ecosystem by moving up in the value chain and by global expansion into strategic markets, either established or emerging and as such, the market has seen substantial consolidation in the past few years.

RS2 is aiming to position itself as an alternative to legacy payment processors (FIS, Fiserv, Global Payments) and filling the void created by mega-mergers. RS2's flagship product BankWORKS® is a distinctive global payment platform which enables truly global merchant acquiring on a single platform, managed in the cloud. BankWORKS® is highly configurable and easy to use, it puts the clients in charge of their products, pricing, servicing providing independence from the processor, and is natively omni-channel (online, offline, mobile) with acquiring, issuing and closed loop, all on one platform.

8 PROJECTS AND PROPOSED INVESTMENTS

8.1 INVESTMENTS

The Group's growth over the years was characterised by both capital expenditure and operational expenditure. During the financial years 2017 to 2020, the Group made the following significant investments:

- The Group continued to enhance its platform by adding new tools that streamline the operation of its clients and differentiate it from competition in order to onboard more businesses from various industries on its platform globally. In the last four years, investment in its proprietary BankWORKS® software amounted to a total of €6 million. This investment represents development work carried out internally by the Group on enhancement of BankWORKS® and its functionality.

- In 2019, the Group invested €1.1 million in the setting up of its US processing platform that will be the foundation of the Processing Solution within the United States. Similar to the investment in the BankWORKS® software, this investment represents setup and development work carried out internally by the Group. In addition, over the four years, the Company has invested *circa* €6.9 million in capital contributions to RS2 Software, Inc. in order for the subsidiary to build up its operation in the US.

- In 2020, the Group injected *circa* €2 million in equity and capital reserves required for the setup of its third business line Merchant Services, including its application of the EMI licence (see section 7.3).

- In line with RS2's strategic shift towards Merchant Solutions, during 2020 the Group acquired KALICOM Zahlungssysteme GmbH for a total purchase price of €2.5 million including transaction costs and fees. The acquisition will provide RS2 with a quick start into the direct acquiring business with immediate capabilities of selling, installing and servicing terminals and processing card transactions in the German market for small and mid-size accounts.

8.2 PROPOSED INVESTMENTS

The estimated proceeds from the offer of Preference Shares, will be approximately €48,959,950, after deducting related expenses.

This funding will allow the Group to follow its ambitious but sustainable growth strategy, which may possibly eventually require additional debt financing depending on the extent and progress of growth pattern. Management believes that this is an appropriate time to take RS2 to the next level in repositioning the Group to a fully integrated payment service provider, reflecting the robust foundations from the market side as well as the demand from the current client base to serve as an impetus for future growth. Furthermore, innovation and research and development (R&D) are the cornerstones of RS2's strategy to cement its position as one of the leading global processing platforms. RS2 believes that it is at the forefront of innovation in managed cloud platform solutions as it undertakes a structured innovation approach to continuously enhance its technology to provide better solutions that meet client needs.

Further detail on the use of the funds generated from the Offer is found in section 4.4 of the Securities Note.

8.3 FINANCING OF THE PROJECTS

To date, the Group has financed its investment activities through its internally generated cash flows and from bank financing. For the purpose of the acquisition of KALICOM in 2020, RS2 obtained mid-term financing arrangement with one of the leading banks in Malta amounting to €2.5 million.

Going forward and in order to proceed with its plans for accelerated growth as discussed earlier on in this Prospectus, the Group may use internally generated cash flows from operations and/or source additional debt financing depending on the extent and timing when such financing would be required.

At the date of this Registration Document, RS2 has no investments on its horizon other than those explained in section 4.4 of the Securities Note.

9 OPERATING AND FINANCIAL REVIEW

9.1 HISTORICAL FINANCIAL INFORMATION

The financial information included hereinafter is extracted from the audited consolidated financial statements of the Group for the financial years ended 31 December 2017, 2018 and 2019, all of which are incorporated by reference in this Registration Document. The financial statements are available for inspection at the Company's registered office and on the Company's website www.rs2.com. These financial statements have been drawn up in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

The financial statements have been audited by Deloitte Audit Limited and KPMG and none of the auditors' reports therein include a modified audit opinion (see section 5.2 above).

The full consolidated financial statements can be found in the Annual Reports published by the Company which are available on display as detailed in section 22, as follows:

	PAGE NUMBER IN ANNUAL REPORT		
Information incorporated by reference in this Registration Document	**Financial year ended 31 December 2017**	**Financial year ended 31 December 2018**	**Financial year ended 31 December 2019**
Statements of Financial Position	52-53	52-53	50-51
Statements of Comprehensive Income	56	57	55
Statements of Cash Flows	57-58	58-59	56-57
Notes to the Financial Statements	60-132	60-163	58-163
Independent Auditors' Reports	133-146	164-174	164-173

9.2 SUMMARY OF CONSOLIDATED INCOME STATEMENTS

The table below sets out extracts from the consolidated audited Income Statements of the RS2 Software Group for the financial years ended 31 December 2017, 2018 and 2019.

RS2 Software p.l.c. **Consolidated Income Statements** **for the years ended 31 December**	**2017** **€000s**	**2018** **€000s**	**2019** **€000s**
Revenue	**17,380**	**25,008**	**22,100**
Cost of sales	(10,741)	(12,612)	(15,097)
Gross Profit	**6,639**	**12,396**	**7,003**
Marketing and promotional expenses	(695)	(1,013)	(1,852)
Administrative and other expenses	(4,095)	(4,956)	(7,026)
Other income/ (expenses)	(230)	179	(120)
Results from operating activities	**1,619**	**6,606**	**(1,995)**
Net finance income/ (costs)	(393)	(41)	(120)
Profit/ (loss) before tax	**1,226**	**6,565**	**(2,115)**
Income tax expense	(611)	(3,324)	(1,089)
Profit/ (loss) for the year	**615**	**3,241**	**(3,204)**
Attributable to:			
Owners of the Company	793	4,247	(1,634)
Non-controlling interest	(178)	(1,006)	(1,570)
Profit/ (loss) for the year	**615**	**3,241**	**(3,204)**
Earnings per share (in €)*	0.004	0.022	(0.008)
Total dividends	1,583	2,504	-
Dividends per share (in €)*	0.01	0.01	-

** Earnings per share, dividends per share and the weighted average number of ordinary shares in issue during each financial year on which the earnings per share and dividends per share are based, have been adjusted retrospectively to reflect the bonus issue of 18 June 2019.*

The past three years have been a period of significant investment for the Group, particularly with regards to the Processing Solutions in the United States through RS2 Software, Inc. as well as the new business line Merchant Solutions, mainly through RS2 Financial Services GmbH. To a large extent, the Group's investment is of an operational nature rather than capital nature, mainly comprising human resources and infrastructure costs, and which is therefore expensed in the Income Statements.

Group revenue increased from €17.4 million in 2017 to €22.1 million in 2019, representing an increase of 27% over the three years up to 31 December 2019. Revenues reported in 2018 amounted to €25 million which included €5.6 million of revenues already accounted for up to 31 December 2017 but that were reversed from equity reserves in order to be compliant with the new implementation of *IFRS 15 – Revenue from Contracts with Customers*[6].

In 2017 and 2018, revenue from Software Solutions represented 83% and 80% of total revenues, respectively. The remaining revenue was generated from Processing Solutions. In 2019, revenue from Processing Solutions increased to 42% of total revenue, reflecting additional revenue from new and existing clients in the form of implementation and transaction processing fees. This is in line with RS2's strategic shift from providing perpetual licences of its platform to managed services, merchant acquiring services and issuing services throughout Europe, Middle East, North America, Latin America (LATAM) and Asia Pacific (APAC), resulting in international growth and expansion.

6 *IFRS 15 – Revenue from Contracts with Customers* establishes a comprehensive framework for determining whether, how much and when revenue is recognised. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. It supersedes *IAS 18 - Revenue*, *IAS 11 - Construction Contracts* and related interpretations. On 1 January 2018, in line with the date of initial application, the Group released the reversal of €5.6 million from equity reserves back to revenue. Accordingly, the amount of €5.6 million, which was already recognised in revenues prior to 1 January 2018 in terms of IAS 18, was recognised in revenues again in 2018 as a result of the adoption of IFRS 15. Adjusted 2018 revenue eliminating this reversal amounts to €19.4 million, showing a steady increase in revenue over the past three years.

In 2019, the Group was in the final stages of implementation and deployment of significant clients of RS2 Smart Processing Ltd for launch in early 2020, which going forward, are expected to contribute heavily to the financial performance of the Group. Current clients of RS2 Smart Processing Ltd have been ramping up their volumes and consolidating their entire cross-regional business on the platform and expanding their regional presence using RS2 managed services business.

The main components of cost of sales, which increased from €10.7 million in 2017 to €15.1 million in 2019 (an increase of 41%), mainly included human resources costs, infrastructure costs and amortisation of intangible assets. These costs have been ramping up over the past three years in line with the Group's strategy for growth and show the Group's investment, which is of an operational nature and is therefore expensed in the Income Statements. Human resources costs are based on the requirements expected to meet the anticipated demand and steer the Group towards its strategic growth plans and include the following additions:

- supplementing the operations teams for the Processing Solution in Europe and the US;
- ramping up headcount within RS2 Financial Services GmbH;
- strengthening Group's ability to deliver to its clients therefore increasing the relative project delivery headcount; and
- strengthening Group infrastructure and therefore increasing the relative technical unit headcount.

In order to be efficient and meet the demand for processing capacity, which is sometimes unpredictable, RS2 has also moved its Managed Services to the Amazon Cloud. This allows scaling up the service as required during the on-boarding of new clients and expanding into new regions.

The Group's gross profit for 2019 amounted to €7 million compared to an adjusted €6.8 million in 2018 (originally reported as €12.4 million including the €5.6 million effect of implementing IFRS 15 as detailed above) and €6.6 million in 2017, an overall increase of approximately 6% over the three years.

The Group continued to invest heavily in marketing and sales in order to build and implement its healthy pipeline globally in the various regions and increasing the Group's probability of securing significant business in the US, APAC and Europe for its managed services business. Overall sales and marketing expenses increased by 166% over the three years under review.

Administrative expenses, which include administrative human resources expenses, legal and professional fees, insurance and utilities, travel expenses and depreciation, increased by 72% from 2017 to 2019, mainly reflecting the strengthening of the administrative functions at head office, the United States and Germany in support of the planned international growth. Attracting and engaging high profile professional officers enables the Group to focus on its targets and reach its goals by attracting the right clients and strategic partners.

Profit after tax contracted from €0.6 million in 2017 to a loss of €3.2 million in 2019. This has been in line with the Group's projections in relation to its growth plan. As explained above, the Group is currently in a phase of investment, most of which is in the form of operating expenditure. This means that for the short-term, cost are increasing at a faster rate than the increase in revenue, which situation will turnaround when the Group starts realising the revenue from its new clients and business line.

The Company declared a cash dividend of €1.6 million in 2017 coupled with a bonus issue of €0.8 million (based on the financial year ending 31 December 2016), a cash dividend of €2.5 million in 2018 (based on the financial year ending 31 December 2017) and a bonus issue of €1.3 million in 2019 (based on the financial year ending 31 December 2018).

9.3 SUMMARY OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The table below sets out extracts from the consolidated audited Statements of Financial Position of the RS2 Software Group as at 31 December 2017, 2018 and 2019.

RS2 Software p.l.c. **Consolidated Statements of Financial Position** **as at 31 December**	**2017** **€000s**	**2018** **€000s**	**2019** **€000s**
Assets			
Total non-current assets	15,969	17,854	21,738
Total current assets	13,669	10,116	10,074
Total assets	**29,638**	**27,970**	**31,812**
Equity			
Totally equity attributable to equity holders of the Company	21,078	18,568	17,012
Non-controlling interest	(358)	(1,336)	(2,927)
Total equity	**20,720**	**17,232**	**14,085**
Liabilities			
Total non-current liabilities	3,780	4,233	6,674
Total current liabilities	5,138	6,505	11,053
Total liabilities	**8,918**	**10,738**	**17,727**
Total equity and liabilities	**29,638**	**27,970**	**31,812**

Non-current assets of the Group amounted to €21.7 million at 31 December 2019. Out of this, €9.2 million related to property, plant and equipment including the premises in Malta, office infrastructure for the whole Group and computer software. Intangible assets of €8.9 million represent the Group's BankWORKS® platform, the US processing platform, as well as goodwill relating to the Company's initial acquisition of the US subsidiary. On adoption of *IFRS 16 - Leases*, the Group recognised additional right of use assets and additional lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of *IAS 17 - Leases*. Right of use assets at 31 December 2019 amounted to €2.6 million and relate to the leased premises in the US, Germany and Philippines. Corresponding to this, new lease liabilities of €2.2 million were also recognised during 2019.

Current assets of the Group comprise of trade and other receivables, prepayments, accrued income and contract costs, and cash balances. Trade receivables amounted to €4.2 million at 31 December 2019, significantly higher than €1.6 million in 2018, however, this relates to client invoices in the ordinary course of business outstanding at year-end, that were subsequently paid early in 2020. Accrued income and contract costs amounting to €2.6 million relate to the portion of revenue that has been recognised as of 31 December 2019 in accordance with *IFRS 15 – Revenue from Contracts with Customers*, but that has not yet been invoiced to clients in terms of the respective client contracts. Such accrued income and contract costs decreased from €4.7 million in 2018 to €2.6 million in 2019.

Group equity at 31 December 2019 stood at €14.1 million, of which €17 million was attributable to the shareholders of the Company. This was made up of share capital of €11.6 million, negative reserves of €0.2 million and accumulated retained earnings of €5.6 million. Non-controlling interest amounted to negative €2.9 million and represented the total of share capital and retained losses of RS2 Software, Inc. which is attributable to its minority shareholders.

Total non-current liabilities at 31 December 2019 amounted to €6.7 million, which was €2.4 million higher than 31 December 2018. This was mainly reflective of the new lease liabilities recognised during the year as explained above. Other non-current liabilities included employee benefits of €2.9 million (see section 12.6) and deferred tax of €1.4 million. Current liabilities at 31 December 2019 amounted to €11.1 million, which included bank borrowings, trade and other payables, current tax payable, accruals and deferred income. Deferred income, which stood at €1.8 million at 31 December 2019, refers to those amounts that have already been invoiced to clients in accordance with the respective contracts, but that are not yet taken to revenue as they relate to periods past the year-end. Current liabilities include also the current portion (i.e. those amounts due within twelve months of the year-end) of lease liabilities and employee liabilities explained above.

9.4 SUMMARY OF CONSOLIDATED STATEMENTS OF CASH FLOWS

The table below sets out extracts from the consolidated audited Statements of Cash Flows of the RS2 Software Group for the financial years ended 31 December 2017, 2018 and 2019.

RS2 Software p.l.c. Consolidated Statements of Cash Flows for the years ended 31 December	**2017 €000s**	**2018 €000s**	**2019 €000s**
Cash flows from operating activities			
Cash generated before working capital movements	2,159	8,426	479
Movements in working capital	3,473	(6,605)	(395)
Net interest paid	(102)	(65)	(92)
Net income tax paid	(967)	(460)	(1,100)
Net cash generated from / (used in) operating activities	**4,563**	**1,296**	**(1,108)**
Net cash used in investing activities	**(430)**	**(2,145)**	**(2,680)**
Net cash (used in) / generated from financing activities	**(2,575)**	**(3,524)**	**2,798**
Net increase / (decrease) in cash and cash equivalents	**1,558**	**(4,373)**	**(990)**
Cash and cash equivalents at 1 January	6,344	7,789	3,403
Effects of exchange rate fluctuations on cash held	(113)	(13)	9
Cash and cash equivalents at 31 December	**7,789**	**3,403**	**2,422**

The Group's cash flow statements show that cash generated from operating activities during 2017 to 2019 amounted to €4.8 million. These mainly comprised cash generated from operations of €11.1 million, €3.5 million net cash outflow with respect to working capital movements and tax and interest payments of €2.8 million.

Net cash used in investing activities amounted to €5.3 million during the three-year period. This mainly comprised €3.5 million investment in the BankWORKS® software and €1.8 million investment in property, plant and equipment.

Net cash used in financing activities amounted to €3.3 million over the course of the three-year period under consideration. The majority relates to dividends paid in 2017 and 2018 of €4.1 million, repayments of bank borrowings during 2017 and 2018 to finance the purchase and completion of properties in Malta and Gozo amounting to €3 million, and proceeds from new banking facilities raised during 2019 to facilitate planned growth amounting to €3.8 million.

Closing cash balances at 31 December 2019 stood at €2.4 million.

9.5 INTERIM INFORMATION

This section summarises the Group's unaudited interim consolidated Income Statements and consolidated Statements of Cash Flows for the six-month period from 1 January 2020 to 30 June 2020 and the comparable period from 1 January 2019 to 30 June 2019. This section also includes the unaudited consolidated Statement of Financial Position of the Group as at 30 June 2020, and the comparative audited Statement of Financial Position as at 31 December 2019.

9.5.1 SUMMARY OF INTERIM CONSOLIDATED INCOME STATEMENTS

The table below sets out extracts from the unaudited interim consolidated Income Statements of RS2 for the six months ended 30 June 2020.

RS2 Software p.l.c. Consolidated Income Statements for the six months ended 30 June	2019 €000s	2020 €000s
Revenue	**11,219**	**10,838**
Cost of sales	(6,728)	(8,928)
Gross Profit	**4,491**	**1,910**
Marketing and promotional expenses	(957)	(741)
Administrative and other expenses	(3,176)	(3,955)
Other income/ (expenses)	3	(114)
Results from operating activities	**361**	**(2,900)**
Net finance income/ (costs)	(63)	(162)
Profit / (Loss) before tax	**298**	**(3,062)**
Income tax expense	(545)	(584)
Loss for the year	**(247)**	**(3,646)**
Attributable to:		
Owners of the Company	20	(2,304)
Non-controlling interest	(267)	(1,342)
Loss for the year	**(247)**	**(3,646)**

During the first six months to 30 June 2020, the Group has registered total revenues of €10.8 million compared to the first half of 2019's €11.2 million. During the COVID-19 pandemic, the Group experienced an increase in productivity and delivery of services to its clients and partners through its applied business continuity plans that included a seamless switchover to home-working which will be reflected in the second half of the year.

In continuation of the past years, during the first six months of 2020, the Group continued to invest in human resources to support the framework of its new Merchant Solutions business line in conjunction with the process undertaken to obtain its EMI licence. This stream requires a different set of skills and talent to manage such business line. With the Group's growth in diversifying its business lines, cost of sales increased by 33% when compared to 2019. This allows the sustainability of the business and regional growth expansion as envisaged in the Group's strategic plans. Marketing expenses have decreased by 23% when compared to the same period in 2019, mainly as a result of a decrease in travel and participation in fairs.

Performance in the first six months of 2020 has been very much in line with the Group's COVID-19 adjusted budgets for the year. During this time of investment, the Group's results from operating activities amounted to a negative €2.9 million.

9.5.2 SUMMARY OF INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The table below sets out extracts from the unaudited interim consolidated Statements of Financial Position of RS2 as at 30 June 2020.

RS2 Software p.l.c. **Consolidated Statements of Financial Position** **as at**	**31-Dec-2019** **€000s**	**30-Jun-2020** **€000s**
Assets		
Total non-current assets	21,738	24,007
Total current assets	10,074	10,804
Total assets	**31,812**	**34,811**
Equity		
Totally equity attributable to equity holders of the Company	17,012	14,794
Non-controlling interest	(2,927)	(4,258)
Total equity	**14,085**	**10,536**
Liabilities		
Total non-current liabilities	6,674	8,715
Total current liabilities	11,053	15,560
Total liabilities	**17,727**	**24,275**
Total equity and liabilities	**31,812**	**34,811**

All components of assets, liabilities and equity are in line and consistent with those of years 2017 to 2019 as explained in section 9.3 above. The Statement of Financial Position as at 30 June 2020 shows a net current liability position of €4.8 million. This is in line with the Group's projections for the period and is expected to revert to positive values in future periods when the Group reaps benefits from its current investment.

Included in non-current assets under '*Intangible Assets and Goodwill*' is the capitalised development cost net of amortisation and BankWORKS®. BankWORKS® has been built in-house and therefore does not represent its true value to the Group – the potential and capacity of the software in terms of future revenues being generated far outweigh the actual value given on the Statement of Financial Position.

9.5.3 SUMMARY OF INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

The table below sets out extracts from the unaudited interim consolidated Statements of Cash Flows of RS2 for the six months ended 30 June 2020.

RS2 Software p.l.c. Consolidated Statements of Cash Flows for the six months ended 30 June	2019 €000s	2020 €000s
Cash flows from operating activities		
Cash generated before working capital movements	1,256	(1,815)
Movements in working capital	(1,330)	(1,086)
Net interest paid	(59)	(117)
Net income tax paid	-	(12)
Net cash used in operating activities	**(133)**	**(3,030)**
Net cash used in investing activities	**(659)**	**(1,448)**
Net cash (used in) / generated from financing activities	**(589)**	**4,981**
Net (decrease) / increase in cash and cash equivalents	**(1,381)**	**503**
Cash and cash equivalents at 1 January	3,403	2,430
Effects of exchange rate fluctuations on cash held	(18)	112
Cash and cash equivalents at 30 June	**2,004**	**3,045**

Total cash used in operating activities in the first six months of 2020 amounted to €3 million, compared to €0.1 million in the same period of 2019. This mainly resulted from the increased expenditure as a consequence of the growth initiatives being undertaken by the Group, most of which involve operating expenditure rather than capital expenditure.

Net cash used in investing activities during the first six months of 2020 was mainly composed of investment in the BankWORKS® software in the form of salaries and related expenditure. On the other hand, total cash generated from financing activities relates mostly to additional bank financing, in the form of bank overdrafts to finance planned growth, as well as financing with respect to the KALICOM acquisition.

Closing cash balances at 30 June 2020 stood at €3 million.

9.6 CAPITAL RESOURCES

The Group's operations are financed through a mix of equity and reserves, existing bank loans and credit facilities. The following table sets out the capitalisation and indebtedness of the Issuer in the past three financial years ended 31 December 2017 to 31 December 2019, and the six months ended 30 June 2020:

	2017 €000s	2018 €000s	2019 €000s	1H2020 €000s
Bank loans	(1,857)	(834)	(200)	(2,995)
Bank overdraft	-	-	(3,780)	(6,709)
	(1,857)	(834)	(3,980)	(9,704)
Cash equivalents	7,789	3,403	2,422	3,045
Net cash/ (debt)	**5,932**	**2,569**	**(1,558)**	**(6,659)**
Total equity	**20,720**	**17,232**	**14,085**	**10,536**
Total funding	**26,652**	**19,801**	**12,527**	**3,877**

The Group's bank loans for the three-year period 2017 to 2019 comprised mainly of loans taken to finance its investment in its premises in Malta and Gozo, which are being repaid in accordance with their terms. During 2020, the Group raised additional financing through a new bank loan of €2.5 million in order to finance the acquisition of KALICOM Zahlungssysteme GmbH. Further bank financing was generated during 2019 and 2020 through bank overdrafts taken to finance the Group's investment in operating expenditure necessary to execute its growth plans. Cash equivalents comprise of bank balances.

Total equity is composed mainly of share capital and retained earnings. While share capital has increased via a new issue of bonus shares during 2019, retained earnings has decreased during the period under consideration as a result of dividends paid and losses absorbed by the Group resulting from its investment in its future growth plans (see sections 9.2 and 9.5.1).

The Group's Board expects that any additional borrowing that the Group may need to undertake in the future can be sustained in view of the current low gearing.

9.7 STRATEGY AND OBJECTIVES

The payment market remains one of the brightest spots in the financial service industry. Propelled by positive macroeconomic tailwinds, continuing technology development and expanding digital use, payment business globally grows up to double digit per year and is on track to add $1 trillion in new revenue through 2027. This outlook presents enormous opportunities.

These factors, combined with favourable economies, mean that the real breakthrough for the payment industry is yet to come. The payment market will increasingly accelerate over the next decade. Even if COVID-19 will cause a drop in the short term, the pandemic will most likely accelerate the digital transformation and card payments. Since payments and commerce are fundamentally changing toward frictionless, real-time, data-driven, omni-channel and global, innovative and technology business models will drive the way of disruption in payments.

Taking that into account, RS2 has developed a clear strategy for accelerated growth around the Group's strength, cutting-edge payment technology, and the big market opportunities. The strategy tries to anticipate and adapt to the main trends to benefit from the market opportunities.

With a mission of building a better payment solution, RS2's strategy is to be a one-stop-shop for payment solutions. The Group's vision, mission and strategy statements are the following:

- **RS2 Vision**: Ambition is to become a fully integrated, digital omni/multi-channel payment service provider – simple, innovative, targeted to consumer demands and with global reach.

- **RS2 Mission**: Deliver all payment services out of one hand, worldwide scalable and agile solutions combined with best-in-class customer service – RS2 empowers financial service providers and merchants to benefit from digitalisation of payment and on-us processing.

- **RS2 Strategy**: Develop towards a fully integrated End2End payment player and to position the Group as a one-stop-shop service provider for all types of merchants in all regions over all payment-categories (refer to Figure 6 in section 7.3). The Group believes that, due to its current position across the industry value chain, it plays a pivotal role in the payments ecosystem. This strategy means a transformation for RS2 to gain traction towards accelerated growth, improved profitability and a sustainable position within the entire value chain.

  Five pillars will drive the strategy, to build a fully integrated omni-channel service provider:

  1. **Processing**: Processing for Issuing & Acquiring - Global platform with a single API, switching, dispute management, risk management, reconciliation and settlement;

  2. **Acquiring & Issuing**: Build up direct merchant acquiring-business under own licence in EU, with strong position in Germany and US as a starting point for further growth in other countries (as follow your customer strategy), including issuing for loyalty, prepaid, closed-loop cards;

3. **PSP / Alternative Payments**: PSP-solution, including capability to offer integrated one-stop-shop payment solutions (omni-channel), alternative payments in e-commerce (e.g. Billpay, Ratepay, iDeal, Elo, Wallets);

4. **Terminal & Technical Network**: Own technical network operations to run and operate terminal business, including sales & rent of terminals; and

5. **Strategic Add-on Services**: dunning/collection, factoring, cash management, business-to-business payment.

The EMI licence

Currently, the Group is using external market leading service providers to complete its service offering for financial service providers and merchants with respective back-up alternatives available. Through its subsidiary RS2 Financial Services GmbH, the Group has applied for an E-Money Institution (EMI) licence with the German regulator BaFin in order to provide direct acquiring and issuing services to merchants.

The licence is at an advanced stage in the approval process, and is expected to be obtained by the end of the first quarter of 2021.

10 TREND INFORMATION

The year 2020 has been characterised by various lockdowns that were the consequence of the COVID-19 pandemic with far-reaching social, economic and geopolitical negative impacts globally. The Group's response to this is based on an agile management culture, leveraged by a technology-based culture and preparedness, to seamlessly switch over to home productivity with minimal disruption. However, this cannot be said for all clients who had varying consequences from the pandemic affecting their availability and propensity to keep discussions and projects as their topmost priority in the circumstances.

Throughout the COVID-19 global crisis, RS2, as a service provider, triggered its business continuity plan to continue providing its services with no impact or interruption to business. RS2 noted a decrease in momentum during the beginning of the COVID-19 pandemic, which momentum eventually started to return to its normal levels as from the second quarter of the year, resulting in a strong and healthy pipeline for the coming years. In Processing Solutions, the number of transactions processed have not yet recovered to pre-COVID-19 levels due to the ongoing restrictions in the travel and entertainment industry. While this trend is expected to continue into 2021, the Group will deliver solid growth through new business being on-boarded.

Save for the above, there has been no significant change in the financial or trading position of the Group since 30 June 2020 the last period for which consolidated financial statements have been prepared.

10.1 ANALYSIS OF TRENDS IMPACTING THE BUSINESS

Certain projections and information set forth in this section have been derived from external sources, including industry publications and surveys. These sources are listed below. Industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information or the assumptions on which it is based cannot be guaranteed. While management believes that these industry publications and surveys are reliable, such information has not been independently verified and the Company cannot guarantee their accuracy or completeness. Nonetheless, this information has been accurately reproduced and that as far as the Company is aware and is able to ascertain, no facts have been omitted which would render the reproduced information inaccurate or misleading. The industry information and estimates in this section involve risks and uncertainty and are subject to change based on various factors, the majority of which are outside the control of the Group.

Sources:
- *McKinsey & Company, Global Payments Map, Global Payments Report 2019*
- *Strategy&, Mastering the COVID-19 crisis, April 2020*
- *Capgemini Research Institute, World Payment Report 2019*

Furthermore, it is unclear how the COVID-19 pandemic will affect payments economics. At the time of publishing this Prospectus, not enough information is available. The challenges are immediate, with long-term implications for global, regional and local economies, and for the payments industry itself. Much depends on the complex interplay between economic activity, the interest rate landscape and the evolution of individual and collective behaviour. Since this is a new and so far unknown crisis with no empirical valuations, the management can only take these factors into account, and rely on expert's expectations.

Historic Trends and Market Outlook (pre-COVID-19)

A. Dynamic Market growth

Following a year of unprecedented, double-digit growth in 2017, the global payments industry returned to its established pattern of steady yet strong performance. Global revenues are estimated to grow by 6% until 2023. As always, however, the composition and dynamics of payments revenue vary substantially by region, necessitating a disaggregated geographical assessment.

The regional view is more nuanced:

In **North America**, payments revenues have been growing two to three percentage points faster than Gross Domestic Product (GDP) for the four years 2015-2018 because of a combination of interest-margin expansion and rapid transaction growth. The rate of growth in electronic payments transactions has been nearly twice the GDP growth rate, propelled by the e-commerce and m-commerce boom, as well as the continued shift away from cash and cheques. Interest income on current accounts is estimated to have provided roughly one fifth of US payments revenue in 2018, the lowest share among the four primary regions.

Payments revenue growth in **Europe**, in contrast with North America, has remained sluggish and below GDP growth, continuing the trend of the observed from 2016 to 2018. (Europe comprises roughly 90% of the activity in EMEA– Europe, Middle East and Africa). Although it remains the slowest growing of the four primary regions, Europe has established a somewhat heartening revenue trend, with consistent growth in the region (in contrast to the contraction experienced in the first half of the decade). The European region continues to lag behind McKinsey's estimates, stemming from a slower-than-predicted economic recovery. Despite the encouraging signs in transaction growth and fee revenue (4% in 2018), these gains are offset by marginal declines in liquidity revenue. This does not imply an absence of opportunity, however.

Electronic payments transactions in Europe are growing consistently at double the European GDP growth rates (from 2013 to 2018, 7.9% compound annual growth rate (CAGR) versus 3.5% GDP CAGR). The continued shift away from cash is because of the strong performance of card transactions in combination with payments solutions enabled by genuine innovation (for example, real-time payments and mobile wallets) and regulation (for example, the second Payment Services Directive[7] – better known as PSD2 – and open banking).

Asia–Pacific (APAC) payments revenues grew by 6% in 2018, in line with GDP growth for the region (but contrary to what one could expect, slower than in North America). Asia revenues have been very volatile over recent years: their growth significantly lagged behind GDP growth in 2015 and 2016 before sharply exceeding it in 2017. There are three underlying drivers behind this somewhat erratic growth trend: While transaction numbers grew significantly driven by electronic payments transactions (upward of 15% annually, more than 2.5 times the rate of GDP growth), transaction fee growth has been more muted, as regulatory and competitive pressures have depressed margins. On top, current account revenues (both consumer and commercial), representing 60% of payment revenues in the region, prove to be extremely volatile.

Current APAC account balances ($20 trillion in McKinsey's analysis) are an important revenue driver, with China being the "swing factor". If current account balances have been growing slightly faster than economic growth has in the region as a whole (pointing to additional growth coming from an increasing share of consumers with bank accounts in the region), 2017's regional revenue "explosion" (21% increase) was driven by China.

[7] Directive (EU) 2015/2336 of the European Parliament and of the Council of 25 November 2015.

Latin America was the fastest-growing region in revenue terms, at 10%, in 2018. This result marks a return to growth following a 2% decline in 2017. It confirms 2017's outlier nature, owing to a one-off regulatory intervention affecting Brazil, the region's largest payments market. With nearly 40% of Latin America's revenue growth coming from fee income, the fundamentals appear to point to continued strength.

Figure 9 below shows global payments revenues 2007-2018, extrapolated for 2023:

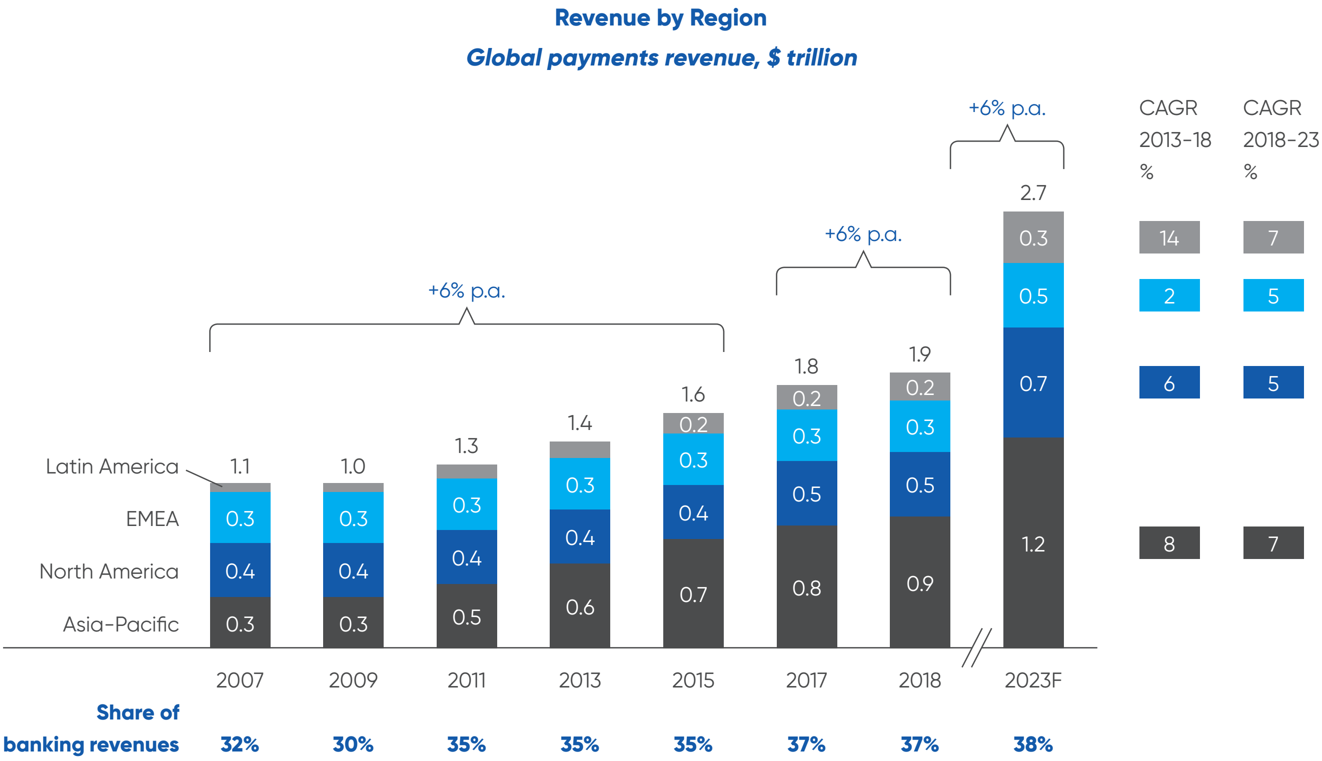


Figure 9 *- Global payments revenues, Source: McKinsey Global Payments Map, Global Payments Report 2019*

B. Consolidation

Industry players are acquiring other companies to keep up with the changing ecosystem that continuously upgrades itself. The main trend that contributes to an organic growth of the whole industry, is the strive for control of a greater portion of the payment ecosystem and moving up in the value chain and global expansion into strategic markets, either established or emerging.

The last 18 months have brought deals that are valued at levels approaching $100 billion, are increasingly cross-border, and involve increasingly global players (for example, Fiserv-First Data; FIS-Worldpay).

Four main dynamics are shaping consolidation in the industry: growth in non-traditional areas, demand for integrated solutions, the significance of scale and efficiency, and the evolution of the trust equation.

C. Digital commerce and alternative payments methods open multi-channel horizons

Consumer digital payments, that is, browser-based e-commerce and in-app purchases, are growing rapidly. Global digital commerce volume exceeded $3 trillion in 2017—13% of total commerce—and will more than double by 2022.

Mobile commerce is the dominant factor in this trend, already accounting for 48% of digital commerce sales, and forecasted to reach 70% by 2022. The growing popularity of e-commerce in general—digital checkout solutions as well as new payments solutions—further contributes to payments' overall trend toward digitalisation. Additionally, there are new opportunities arising from the digital commerce ecosystems developing today. While the online card experience has improved over the past decade, particularly with regard to security, alternative payments methods (APMs) have gained far greater traction by tackling a variety of pain points. The evolution of in-app and omni-channel order-ahead models gives rise to a host of adjacent payment services.

The outlook for in-store mobile payments varies significantly by country and region. In the US, in person use of digital wallets will increase at a 45% CAGR to reach $400 billion in annual flows by 2022. More than half of overall global purchase volume growth over the next five years will be generated by digital channels. Digital payments will double in volume over the next five years to represent approximately 29% of consumer POS payments, with in-app payments exceeding browser-based e-commerce by 2021. Consequently, payment companies must deliver a fully integrated omni-channel payment solution and improved checkout experience with payments as a component over all channels.

D. Entrance of new players will increase competition

The payments industry has recently seen the entry of diverse FinTech and BigTech players, both technology giants like Facebook Inc. or Apple Inc. and other start-ups that are presenting increased competition for payment companies, processors and networks. While start-ups have generally not been a major threat to the payments industry in the past, the prominence of smartphones as a channel, rapidly evolving customer expectations and real-time account-to-account transfers will have a profound disrupting effect.

The payment industry is currently going through a wave of infrastructure modernisation that is required to compete effectively with FinTech and BigTech innovators and address evolving client needs. This digital revolution will extend well beyond consumer payments and cards causing significant changes in all areas of finance.

E. Regulatory landscape

Interoperability and standardisation have become one of the main objectives of regulators. Globally, a broad range of authorities have taken or are planning initiatives to ensure uniformity – critical moves to sustain success as the new payments' ecosystem coalesces. While pushing for innovation through open banking and real-time payments, regulators are working to mitigate risks. In addition to standardisation, risk mitigation appeared as the priority for the payment industry.

- Key regulatory and industry initiatives aim to build a resilient payments ecosystem to serve society.
- Interoperability and standardisation are key for regulators, even though there are disparate standards, systems and scope of regulators.
- Globally, the broad range of regulators are operating on initiatives to ensure uniformity.
- Regulators are pushing through open banking and real-time payments, while working towards a reduction in risks – in addition to standardisation, risk mitigation appeared as the priority for the industry.

Figure 10 below shows key regulatory and industry initiatives, clustered by regulators' primary objectives:

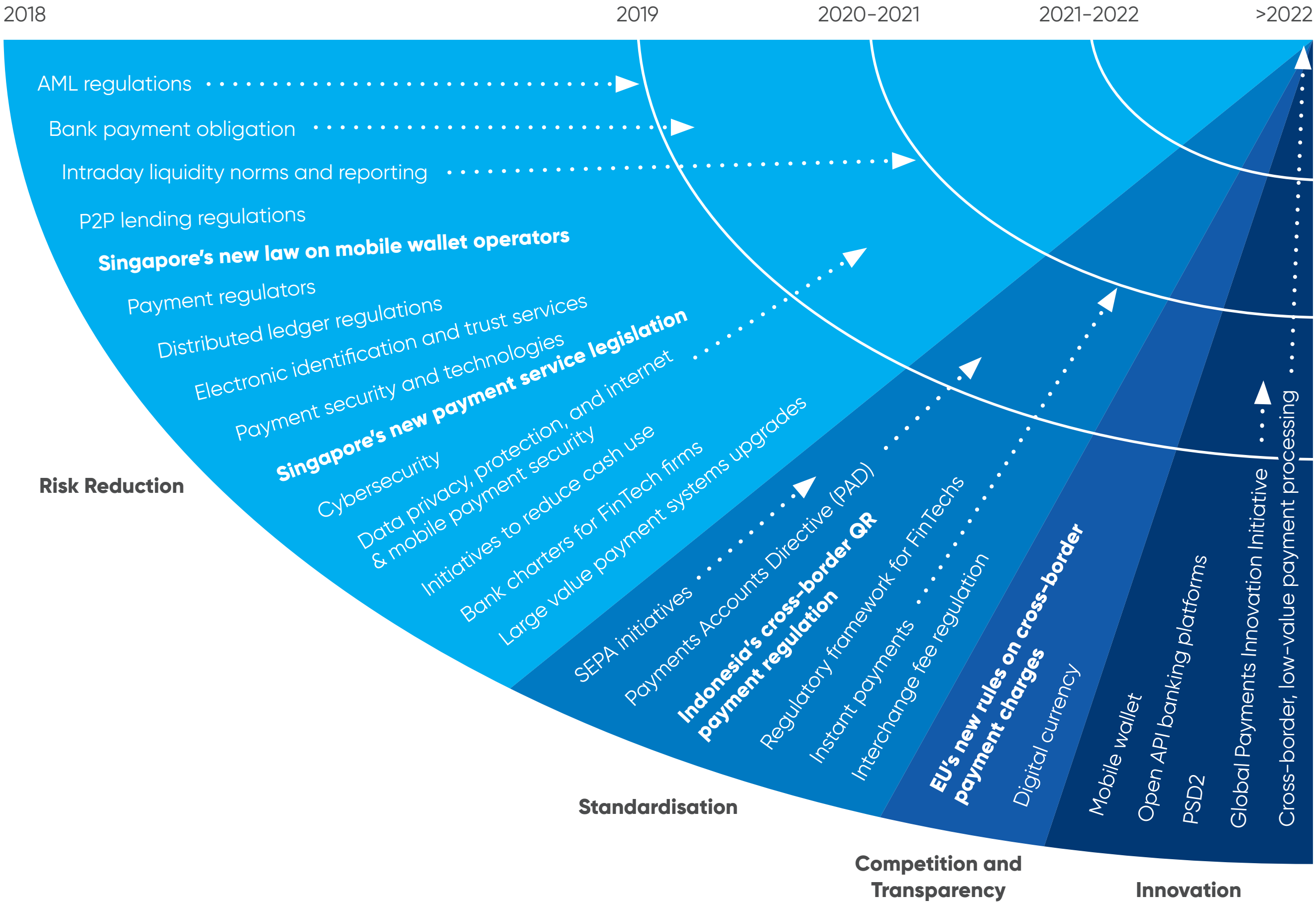


Figure 10 *- Key regulatory and industry initiatives, Source: Capgemini, World Payments Report 2019*

F. Impact of COVID-19 on payments

COVID-19 is an unprecedented catastrophic occurrence, and it is currently completely unclear what changes it will lead to. But it is clear that the changes and challenges are immediate, with long-term implications for global, regional and local economies – and of course for the payments industry itself.

Unfortunately, payment data on COVID-19 impact is still very limited and scenarios are still rather trend than data based. Overall, the payment trend follows the overall economic developments, shows however huge variances based on industry sectors. The outlook largely depends on the further spread of the virus, the public health response and the effectiveness of the fiscal, monetary, and broader public measures.

For the global payments sector, the events of 2020 have reset expectations and significantly accelerated several existing trends. The public health crisis and its many repercussions changed the operating environment for businesses. For the payments sector, McKinsey stated that global revenues declined by an estimated 22% in the first six months of the year compared to the same period in 2019. Over the past several years, payments revenues had grown by roughly 7% annually, which means this crisis leaves revenues 11% to 13% below the pre-pandemic revenue projection from McKinsey for 2020.

For global payments, 2020 stands in dramatic contrast to the year before, which was a relatively stable year. Global revenues grew at nearly 5% in 2019, bringing total global payments revenue to just under $2 trillion. Any stability was quickly disrupted in early 2020 by governments' reactions to the COVID-19 pandemic. McKinsey expects full-year 2020 global payments revenue to be roughly $140 billion lower than in 2019, a decline of about 7% from 2019.

Figure 11 below shows global payments revenues to end 2020 down 7% compared to 2019:

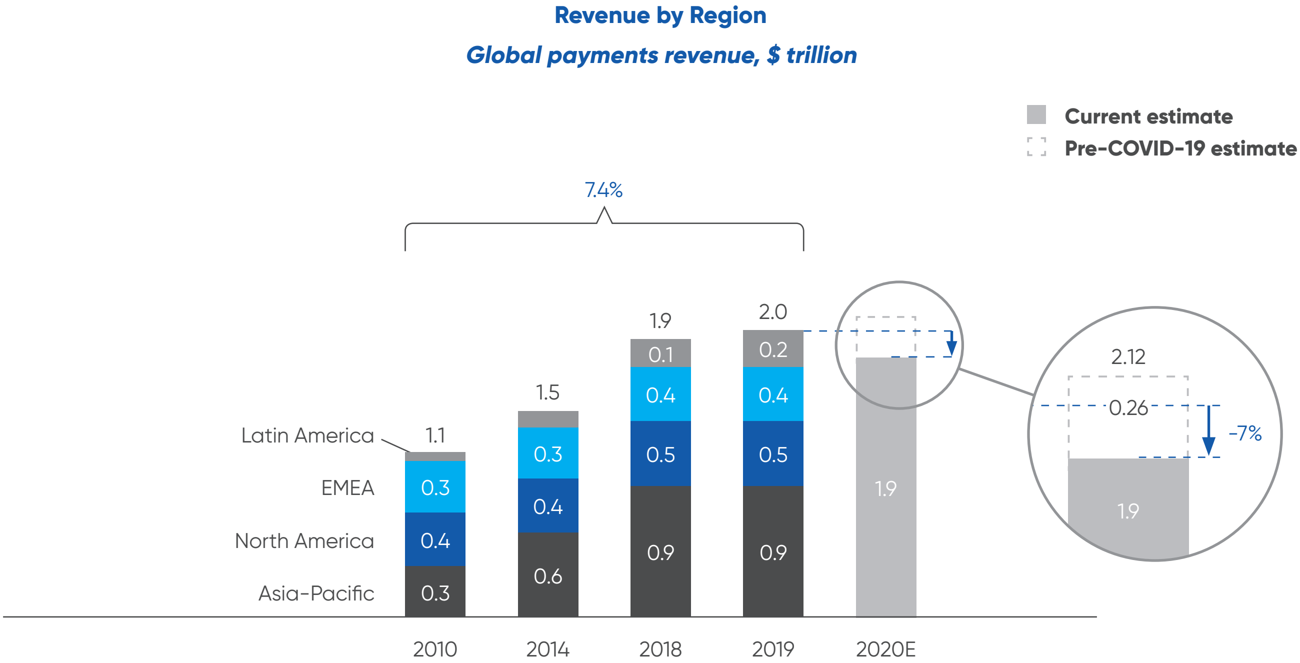


Figure 11 *- Global payments revenue estimate for 2020, Source: McKinsey, The Global Payments Report 2020*

The immediate consequence of the lock-down was, a steep reduction in discretionary spending and a severe demand side shock, along with reductions in cash usage. Discretionary spending initially sank by 40% globally. The impact was especially great on the travel and entertainment category, which was down by 80% to 90%. While some categories of spending rebounded, consumers' well-documented shift from the point of sale (POS) to digital commerce accounts for the reduced use of cash. Overall, in retail, the impact was not a decline but a shift in buying behaviour. In the first six months of the year, consumers spent $347 billion online with US retailers, up 30% from the same period in 2019—corresponding to six times the annualised 2019 growth rate of online retail.

Consequently, all forms of electronic payments have been boosted. In many regions, this has mostly benefited debit cards, which typically align with lower-value transactions and are a logical cash substitute for contact-averse consumers. Higher limits for contactless payments also triggered rising adoption rates across the globe. COVID-19 will likely lead to a further decline in cash usage and a shift to electronic payments around the globe. By the end of 2020, McKinsey expects a shift of four to five percentage points in the share of global payment transactions executed via cash—down from 69% in 2019—propelled by evolving behaviour in both mature and emerging markets.

Figure 12 below shows cash usage by country:

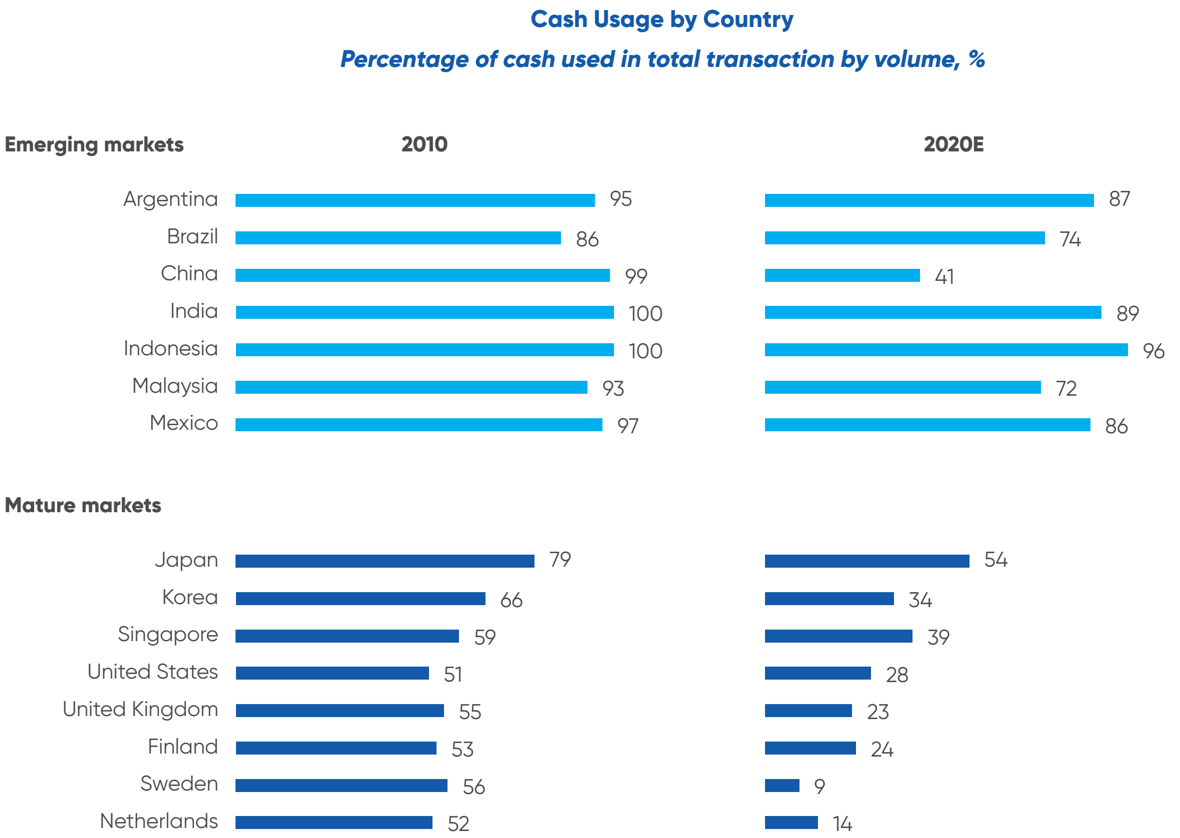


***Figure 12** - Cash usage by country, Source: McKinsey, The Global Payments Report 2020*

As the crisis plays out, there will likely be more clarity about the depth and duration of the impact. However, one thing is clear now: there will be no return to the norms before the crisis; the impact on the behaviour and expectations of the customers and businesses, indeed the entire economy, will be profound. A rebooting economy may need to deal with social distancing, increased sensitivity to security, and accrued risk awareness for quite some time. McKinsey expects in the most realistic scenario, that global payments, in most categories of payment transactions, are poised for sharp and rapid rebounds as lockdowns are lifted and behavioural shifts from cash to electronic payments are largely sustained.

So, we will have a "new normal" for the payments ecosystem and also for the economy as a whole (more working from home instead of in offices, more e-commerce than POS shopping, more regional vacations than long distance travelling, more virtual meetings than business trips, more card based payments than use of cash etc.). However, not all players, countries and products will arrive at the same end state. At a regional level, the following differences are notable:

- Asia–Pacific (excluding China) could suffer larger declines, as its revenue model is more affected by NIM (Net Interest Margin) contraction, faces increasing government pressures on mass-market transaction fees, and has greater exposure to long-term affected industries, such as travel, tourism, and international remittance payments.

- Europe may be poised for a swifter rebound, for two reasons: Firstly, NIMs were already so compressed before COVID-19 that there was little room for further squeezing; secondly, volume growth is being fuelled by the acceleration of digital migration in Southern and Eastern Europe, and by government stimulus measures.

- In North America, the revenue benefit from an accelerated shift to digital channels has been more than offset by credit-card economics – outstanding balances are down roughly 29% from 2019 levels, and increased delinquencies are a possibility. Considering credit cards are the largest source of the region's payments revenue, at roughly 44%, the decline in outstanding balances alone will outweigh the benefits of increased use of digital channels.

- In Latin America, which is characterised by a significant unbanked population, cash usage will likely remain resilient. Visa-supported mobile wallets have gained more than a million users since December 2019, with the pandemic accelerating this trend.

- Overall, the greatest recovery opportunities reside in countries with low electronic penetration (Brazil, India, Indonesia, Thailand), as the next normal provides impetus for digitalisation. However, countries starting from a high level of digitisation (France, Germany and the United Kingdom) are also seeing COVID-19-induced behaviour push cash usage to the minimum — fuelling payments-revenue growth.

10.2 PROFIT ESTIMATES & FORECASTS

The expectations of the Directors with respect to the future operations of the RS2 Group for the financial years ending 31 December 2020, 2021, 2022, and 2023 are presented in Annex II of this Registration Document. The basis of preparation and the key assumptions underlying the Profit Estimates and Forecasts are set out in detail in Annex II of this Registration Document.

The Profit Estimates and Forecasts include the forecast for the financial year ended 31 December 2020. This forecast is based on the interim results for the Group to 31 October 2020, and the forecast for the period 1 November to 31 December 2020 based on the results achieved to October 2020, and extrapolated until year-end. The forecast has been compiled and prepared on a basis which is both comparable with the historical financial information and consistent with the Company's accounting policies.

The Profit Estimates and Forecasts have not been audited. An independent accountant report by Deloitte Services Limited in accordance with *ISAE 3000 - Assurance Engagements Other than Audits and Reviews of Historical Financial Information* is included in Annex III of this Registration Document.

11 REGULATORY ENVIRONMENT

RS2 Software p.l.c. is a company registered under and subject to Maltese law. The Company's Ordinary Shares are currently listed and traded on the Official List of the MSE and as such, the Company is subject to the Listing Rules.

Given its diverse geographical presence, the Group is subject to a variety of laws of several jurisdictions including Germany, United States, Philippines and Brazil.

As the owner, developer and software vendor of BankWORKS®, RS2 Software p.l.c. holds a Payment Card Industry (PCI) Payment Application Data Security Standard (PA-DSS) validation. RS2 Smart Processing Limited is also certified as a PCI DSS Compliant service provider.

Due to the nature of its business offering to clients operating in the payments industry, the Group's BankWORKS® software is obliged to be compliant with all regulatory frameworks applicable to its clients.

During 2020, RS2 applied for a licence as an Electronic Money Institution (EMI) at the BaFin, the German financial authority. As an EMI licence holder, the Group will be directly subject to EU Directive 2009/110/EC of the European Parliament and Council of 16 September 2009 which came into force in Germany with the introduction of the Payment Services Oversight Act (Zahlungsdiensteaufsichtsgesetz, ZAG).

The EMI allows the Group to provide a wider range of financial services comparing with payment institutions and allows safeguarding client funds for an unlimited period of time. Electronic Money Institutions licensed in one European Union (EU) member state opens up business opportunities to act and provide services in all other EU/EEA countries, enjoying benefits of the single European financial market within Single Euro Payments Area (SEPA) for passporting purposes.

Electronic Money (E-money) is defined by the European Central Bank as an electronic store of monetary value on a technical device that may be widely used for making payments to entities other than the e-money issuer. The device acts as a prepaid bearer instrument, which does not necessarily involve bank accounts in transactions. Directive 2009/110/EC (also referred to as the E-Money Directive) established legal basis for e-money issuing in the European Union (EU).

Once RS2 receives the EMI licence, it intends to become a member of MasterCard and VISA and the other international card schemes in due course.

12 ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

12.1 BOARD OF DIRECTORS OF THE ISSUER

The Company's governance principally lies in its Board of Directors, responsible for the general governance of the Company and to set its strategic aims, for its proper administration and management, and for the general supervision of its affairs. Its responsibilities include the oversight of the Company's internal control procedures and financial performance, and the review of the Company's business risks, thus ensuring such risks are adequately identified, evaluated, managed and minimised.

The Memorandum of the Company provides that the Board of Directors shall be composed of not less than three (3) and not more than eight (8) directors. The Board of Directors currently comprise one (1) Executive Director (Chief Executive Officer) and six (6) Independent Non-Executive Directors. The Board, following a self-assessment in terms of the Listing Rules and relevant Code Provisions, confirmed that all non-executive directors are independent.

Name	ID/Passport	Designation	Date of appointment
Mr Mario Schembri	474854M	Chairman and non-executive director	1 January 2008
Mr Radi Abd El Haj	0409416L	CEO and executive director	19 June 2012
Dr Robert Tufigno	191657M	Non-executive director	9 May 2008
Mr Franco Azzopardi	648162M	Non-executive director	12 May 2009
Mr John Elkins	456917951	Non-executive director	17 August 2015
Prof. Raša Karapandža	51609565	Non-executive director	19 June 2018
Mr David Price	555969092	Non-executive director	9 January 2019

The Company Secretary is Dr Ivan Gatt.

The business address of each Director is the registered office of the Company.

Directors are appointed at the Annual General Meeting and, unless they resign or are removed, directors shall hold office for a period of one year. Directors whose term of office expires or who resign or are removed are eligible for re-appointment.

A list of directorships held by the Directors mentioned above is included in Annex I to this Registration Document.

The *curriculum vitae* for each of the Directors and of the Company Secretary are set out below.

Mr Mario Schembri - Chairman and non-executive director
Mr Schembri joined RS2 in 1999 as Regional Manager, Mediterranean Region and took on the role of Deputy Chief Executive Officer in 2006. Mr Schembri was appointed Chief Executive Officer in January 2008 and Chairman in January 2012.

Mr Schembri has extensive knowledge related to card management systems, with diverse exposure to the international card organisations including VISA International, MasterCard and DINERS Club International. Up to the time of joining the Company, Mr Schembri had been in the banking industry for 26 years and has vast experience relating to retail banking operations, product management and co-ordination. He also served as a lecturer and examiner for the Institute of Financial Services for a period of 12 years.

Mr Radi Abd El Haj - Chief Executive Officer and executive director
Mr El Haj joined RS2 in 1997 as a Project Manager for Tier 1 European banks where he was responsible for the implementation of corporate card programs, later promoted to Customer Relationship Manager in 2002 and Head of Sales and Implementation in 2004. Mr El Haj was appointed Chief Executive Officer in January 2012.

In the cards and payments industry, Mr El Haj specialises in the areas of issuing, acquiring, clearing and settlement, e-commerce and accounting. His international experience, professional contacts in various regions and working closely with the Technical and Product Development Units within the Group, has contributed in providing RS2's clients with a global compliant platform.

Dr Robert Tufigno - Non-executive director
Dr Tufigno, LL.D., has vast experience in company law, contract law, financial services, employment law, maritime law and legislative drafting. Dr Tufigno, who is also an Arbitrator, has practised in the fields of general commercial law, property law and litigation. He has also acted as Chairman of Malta's Employment and Training Corporation and as Chairman of Malta's Housing Authority, and as past Board Director of Lohombus Bank. Dr Tufigno is a Partner of GTG Advocates.

Mr Franco Azzopardi - Non-executive director
Mr Azzopardi, a Certified Public Accountant with a UK post-graduate MSc in Finance, spent twenty-seven years working in public practice, ten of which with Deloitte Haskins and Sells and later in a firm he co-founded in 1990. In 2007 he exited the firm to contribute more towards the strategic direction of boards of directors. He specialises in corporate strategy, governance, risk and finance. He is today a professional director and a registered fellow member of the UK Institute of Directors. He serves on Boards of Directors, Audit, and Risk Committees of both listed and private companies in various sectors including banking, insurance, software and logistics. He is CEO of the leading logistics company in Malta. His focus there is sustainable growth in shareholder value, highest degree of readiness for public listing, and investor-family governance. As part of his social responsibility he also personally contributed towards the development of the Malta Institute of Accountants. He is a fellow member serving on Council since 2007. He was also elected and served as President of the Institute for the term 2015-2017.

Mr John Elkins - Non-executive director
Mr Elkins served as President, International Regions at First Data (a global leader in electronic payments with operations in 35 countries) until June 2015. Mr Elkins had full responsibility for over 8,000 employees and all markets outside of the United States. Mr Elkins served as a Senior Adviser at McKinsey & Company (2007-2009). Between 2002 and 2007 he served as Executive Vice-President and Global Chief Marketing Officer for Visa International. Mr Elkins was the founder, former Chairman and CEO of FutureBrand, built from a start-up into one of the leading worldwide corporate brand and design consultancies.

Prof. Raša Karapandža - Non-executive director
Prof. Karapandža is a Professor of Finance and serves as Vice Dean Education at EBS University, Germany. He also serves as an academic director of the Masters in Finance programme and head of chair of finance. He received a PhD degree in economics and finance from Barcelona Graduate School of Economics, University Pompeu Fabra, Barcelona. He has been a visiting research scholar at New York University and at University of California at Berkeley. He currently also serves as a visiting professor at New York University (NYU). Prof. Karapandža's work has been featured in top media outlets like The Wall Street Journal, The New York Times, and Der Spiegel. He advised members of the US congress on the topics of regulating cryptocurrencies and other blockchain related technologies. He was elected favourite professor by the EBS business school's student body for his teaching ten years in a row – in 2009 through 2020. At EBS University Prof. Karapandža teaches Investments, Finance, Corporate Finance, Asset Pricing and Fintech class. At NYU Prof. Karapandža teaches a Fintech course as well as NYU Stern courses on Foundation of Financial Markets and Advanced Investments.

Mr David Price - Non-executive director
Mr Price is the Managing Director of Client Coverage in Barclaycard Commercial Payments, a proven leader within the payments industry, with 15 years' experience of working within the Barclays Group. Mr Price is currently responsible for the Corporate Business within Commercial Payments as well as building propositions across the whole Barclays Corporate network. Prior to working in commercial payments, Mr Price spent 12 years in Payment Acceptance at Barclaycard, where he developed specialisations across new product deployment, multinational client acquisition and relationship management. His extensive payments experience and dedicated client focus gives Mr Price an extremely interesting perspective on payment trends, regulation and most importantly what this means to Barclaycard's customers and clients.

Dr Ivan Gatt - Company Secretary
Dr Gatt represents clients in a broad spectrum of substantive legal areas. Having vast experience in advising companies and board committees on corporate governance, he has facilitated a variety of transactions, including securities offerings, venture capital investments and corporate acquisitions. In addition, he assists clients with annual general meeting preparation and gives advice on numerous regulatory and compliance matters. Dr Gatt has presided over the Levy Appeals Board and the Customs and Excise Tax Appeals Board of the Ministry of Finance. Dr Gatt is a Partner at GTG Advocates.

12.2 POWERS OF THE DIRECTORS

The Directors are vested with the management of the Company, and their powers of management and administration emanate directly from the Memorandum and Articles of Association and the law. The Directors are empowered to act on behalf of the Company and in this respect have the authority to enter into contracts and sue and be sued in representation of the Company. In terms of the Memorandum and Articles of Association, they may do all such things that are not by the Memorandum and Articles of Association reserved for the Company in general meetings.

12.3 POTENTIAL CONFLICTS OF INTEREST

The Directors are strongly aware of their responsibility to act at all times in the interest of the Company and its shareholders as a whole and of their obligation to avoid conflicts of interest, irrespective of whoever appointed them to the Board.

The Board has approved an Internal Code of Dealing that details the obligations of the directors, as well as those of senior management and other individuals having access to sensitive information, on dealings in the equity of the Company within the parameters of the law and the Listing Rules. Each Director has declared his interest in the share capital of the Company distinguishing between beneficial and non-beneficial interest.

In accordance with the provisions of the Articles of Association of the Company, any actual, potential or perceived conflict of interest must be immediately declared by a director to the other members of the Board, who then (also possibly through a referral to the Audit Committee) decide on whether such a conflict exists. In the event that the Board perceives such interest to be conflicting with the director's duties, the conflicted director is required to leave the meeting and both the discussion on the matter and the vote, if any, on the matter concerned are conducted in the absence of the conflicted director.

As indicated in section 6.3.2 above, Radi Abd El Haj is the indirect majority shareholder of the Company and has been nominated to the Board of Directors by ITM Holding Limited. Mr. David Price has been nominated to the Board of Directors by Barclays Bank plc, which is also a client of the Company. As of the date of this Prospectus, the Directors are not aware of any potential conflicts of interest which could relate to their roles within the Company.

12.4 REMUNERATION OF DIRECTORS

In accordance with the provisions of the Articles of Association of the Company, the aggregate emoluments of all Directors in any one financial year, and any increases thereto, shall be such amount as may from time to time be determined by the Company in a general meeting, and any notice convening the General Meeting during which an increase in the maximum limit of such aggregate emoluments shall be proposed, shall contain a reference to such fact.

The maximum aggregate annual directors' emoluments currently approved by the shareholders, amounts to €500,000. The aggregate annual emoluments payable in the financial year ended 31 December 2019 to members of the directors amounted to €160,905. Salaries and other benefits paid to Directors of the Group in the financial year ended 31 December 2019 in their respective executive and consultancy roles amounted to €761,945.

12.5 SENIOR MANAGEMENT OF THE ISSUER

A *curriculum vitae* for each of the Company's senior management is set out below.

The curriculum vitae of Mr Radi Abd El Haj is included in section 12.1 above.

Jens Mahlke - Group Chief Operating Officer and Group Chief Financial Officer
Mr Mahlke joined RS2 in 2019, and with more than 25 years in European Banking, Payments and Financial Services, where he held various senior roles, Jens Mahlke has an in-depth industry and market experience.

Previously, Mr Mahlke served Chief Operating Officer and Chief Financial Officer at Concardis, where he led the expansion and business transformation strategy, grew Concardis to the leading payment service provider in Germany, Austria and Switzerland and played an essential role in the sale to private equity investors Advent and Bain and subsequently Hellman & Friedman.

Prior to Concardis, Mr Mahlke led as Chief Executive Officer the European business of EVO Payments International, after having built Deutsche Card Services as General Manager into one of the leading international eCom acquirers.

Mr Mahlke started his career at Deutsche Bank AG, where he held various senior roles in Corporate and Transaction Banking in Gütersloh and Frankfurt and gained international experience in Deutsche Bank`s Investment Banking division in New York. Mr Mahlke Mahlke is a Six Sigma Black Belt and holds a degree in Banking and Economics from Frankfurt School of Finance.

Patrick Clarke - Group Chief Technology Officer
Mr Clarke joined the RS2 team in May 2017 as Group Chief Technology Officer. Under his direction RS2 has transitioned its processing service to the Amazon cloud, allowing for demand-based provisioning of services. In addition, for one large bank a dedicated cloud was established and managed in Azure Cloud. The product has evolved through client requests and specific targeted developments. Prior to joining RS2, Mr Clarke was CEO and co-founder of OmniPay, a global acquirer processing company, and was responsible for the executive leadership of the business which comprised 190 staff. During his tenure at OmniPay he grew the client base to 43 acquiring clients servicing a global marketplace and transacting in excess of 3 billion transactions per year. OmniPay is now a Fiserv company. Mr Clarke also held the position of Chief Technology Officer and under his leadership, a high-volume real-time transaction management system was built delivering software as a service. Mr Clarke has previously held technical and management positions in Oracle, Trintech, Motorola and British Telecom.

Mr Clarke is a BSc (Eng) graduate of the Dublin Institute of Technology and is a Certified Information Systems Security Professional (CISSP) and former Payment Card Industry Qualified Security Assessor (PCI QSA). Patrick is also a fellow of the Irish Computer Society.

Marlene Attard - Chief Operating Officer and Group Chief Administrative Officer
Ms Attard joined RS2 in 2016 after gaining vast experience in business administration, human resource management, project management, and change management with one of Malta's largest public authorities. Ms Attard took over the role of Chief Operating Officer of RS2 Software p.l.c. in March 2020 in addition to her existing role as Group Chief Administrative Officer.

Ms Attard served as Director for Corporate Services within the Malta Environment and Planning Authority (MEPA) for four years where she facilitated the MEPA reforms, executed various projects during her tenure and participated in the Authority demerger from corporate remit.

Ms Attard holds a Masters in Business Administration, from the University of Leicester. Additionally, she was a visiting lecturer with the Faculty of Economics, Management and Accountancy at the University of Malta for eight years till 2019. She holds certifications in Internal Audit Frameworks and Anti-Money Laundering/ Combating the Financing of Terrorism.

David Amato – Group Head of Sales and Client Relationship Management
Mr Amato's career started in the banking sector and, prior to joining RS2, he held various positions in the IT industry. He joined RS2 in 1997 in the role of Project Manager and in 2001 he was appointed to head RS2's Project Management teams in Malta and Germany. As of December 2015, Mr Amato has been entrusted to head the sales and client relationship teams for RS2 Software p.l.c and RS2 Smart Processing Ltd.

At RS2, Mr Amato was key in introducing various project management methodologies within the Group and implementing numerous projects across the globe.

Other key personnel hold senior management position within subsidiary levels.

Senior Management emoluments
The aggregate annual emoluments payable in the financial year ended 31 December 2019 to members of the Senior Management referred to above amounted to €2,277,919.

12.6 SERVICE CONTRACTS

Non-competition post-employment benefits due to certain directors and employees holding senior management positions are payable upon cessation based on an agreed fixed amount or the then applicable annual salary. Such benefits are commensurate to the non-compete clauses which bind these directors and employees not to compete with the Company, or its subsidiaries, for periods ranging between one and three years. This liability, amounting to €3.7 million as at 30 June 2020, is recognised in the Statement of Financial Position as *Employee Benefits* and represents the present value of the defined benefit obligation as at the end of the financial year.

12.7 DECLARATION

None of the Directors, members of the board committees or members of management referred to in sections 12.1 and 12.5 of this Registration Document have, in the last five years:

- been the subject of any convictions in relation to fraudulent offences;
- been associated with bankruptcies, receiverships or liquidations (other than voluntary) in respect of entities in respect of which they were members of administrative, management or supervisory bodies, partners with unlimited liability (in the case of a limited partnership with a share capital), founders or members of senior management;
- been the subject of any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies); or
- been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company.

13 BOARD PRACTICES

13.1 CORPORATE GOVERNANCE

As a company with Ordinary Shares already listed on the Malta Stock Exchange, RS2 Software p.l.c. is regulated by the Listing Rules and accordingly is required to comply with the Code of Principles of Good Corporate Governance forming part of the Listing Rules (the "**Code**"). As a consequence, the Company complies with the Code and publishes its Corporate Governance Statement of Compliance in its Annual Report. The Statement of Compliance in the Annual Report for the year ended 31 December 2019 is set out in pages 32 to 41.

In terms of the Listing Rules, the Company explains instances of non-compliance with the Code in its Corporate Governance Statement of Compliance the Company with respect to:

- Principle Four: The Responsibilities of the Board
- Principle Eight B: Nomination Committee
- Principle Nine (Code provision 9.3): Relations with shareholders and the market

These explanations are set out in page 39 of the Annual Report for the year ended 31 December 2019.

The Directors have constituted the following board committees:

13.2 AUDIT COMMITTEE

The Audit Committee's terms of reference are modelled on the provisions of the Listing Rules, primarily to monitor the financial reporting process and the effectiveness of the Company's internal control procedures. Whilst the Committee vets and approves related party transactions, it also considers the materiality and the nature of related party transactions to ensure that the arm's length principle is adhered to.

The Audit Committee is responsible for managing the Board's relationship with the external auditors, monitoring the audit of the annual consolidated accounts, making recommendations to the Board on their appointment and monitoring their independence, especially with respect to non-audit services. In addition, the Audit Committee is responsible for considering whether a financial internal audit function is required and makes recommendations accordingly to the Board. In the event that the Committee determines the necessity of an internal audit function, it shall recommend the role, functions and remit and how the establishment of such function shall add value to the Company. The Committee shall constantly monitor and assess the role and effectiveness of the internal audit function. Moreover, the Audit Committee shall review the Company's arrangements related to whistle blowing, also ensuring that such arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.

Mr Franco Azzopardi, an independent non-executive director appointed by the Board, acts and serves as Chairman, whilst Dr Robert Tufigno and Prof. Raša Karapandža, both independent non-executive directors act as members. No changes in the composition of the committee took place since the year ended 31 December 2019.

The Company Secretary, Dr Ivan Gatt, acts as secretary to the Committee.

13.3 REMUNERATION COMMITTEE

The remit of the Remuneration Committee is set out in the Terms of Reference adopted by the Board of Directors. The Committee is composed of three (3) non-executive directors - Dr Robert Tufigno (Chairman), Mr Franco Azzopardi and Mr Mario Schembri. The Chief Executive Officer is invited to attend meetings of the Committee where appropriate. The Chairman of the Committee, Dr Robert Tufigno, is independent in accordance with Code Provision 8.A.1.

The determination of the remuneration arrangements for Board members is determined by the Committee. The Committee is primarily responsible for devising appropriate packages needed to attract, retain and motivate executive and non-executive directors with the right qualities and skills for the proper management of the Company and for ensuring compliance with the relevant provisions and regulations of good corporate governance on remuneration and related matters.

The Committee also makes recommendations on the remuneration of senior management. In making such recommendations, it considers that members of the senior management of the Company are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company.

In addition, the Committee is responsible for authorising all remuneration arrangements involving share options.

14 EMPLOYEES

14.1 AVERAGE NUMBER OF EMPLOYEES

As at 31 December 2020, the Group employed a total of 429 employees. The table below shows the average number of employees and distribution for the financial years 2017 to 2020.

	2017	2018	2019	2020
Management, sales & administration	50	55	71	90
Operations	194	227	246	339
	244	282	317	429

14.2 SHARE OWNERSHIP BY DIRECTORS AND SENIOR MANAGEMENT

As at the date of this Registration Document, the Company is informed that Mr Radi Abd El Haj, Executive Director and Chief Executive Officer, indirectly holds 50.04% of the Ordinary Shares of RS2 Software p.l.c. (see section 6.3.2).

Similarly, Mr Mario Schembri, Chairman and Non-Executive Director holds 1.44% of the Ordinary Shares in RS2 Software p.l.c., while Mr Franco Azzopardi and Mr David Amato, hold 0.002% and 0.001% of the Ordinary Shares of the Company, respectively.

14.3 SHARE OPTION SCHEME

By virtue of resolution of the extraordinary general meetings dated 15 and 29 December 2020, the Board of Directors is authorised to issue and allot up to a maximum of 10% of the authorised Preference Shares to officers and/or employees of the Company or of its subsidiaries as the Board may from time to time determine. The Directors are also authorised to establish and set up a share option scheme that is based on the share option scheme that had been approved by the shareholders of the Company by means of a resolution of the Company in the general meeting dated 29 April 2008, but containing such necessary modifications as the Board of Directors may establish.

14.4 OTHER SHARE OWNERSHIP ARRANGEMENTS

In addition to the share option scheme described above, the Group has the following share ownership arrangements:

Performance-related share-based payment (equity-settled)
RS2 Software p.l.c. has an arrangement with one of its members of senior management, whereby the Company may in its absolute discretion, grant to the employee a one-time assignment of shares, provided the employee has reached the performance targets linked to net profit for each of the three consecutive calendar years commencing from the date of commencement of employment.

Performance-related share-based payment (cash-settled)
In terms of the employment agreement, an executive of RS2 Software, Inc. was granted 12,500 new shares in the subsidiary (the 'award shares'), representing 10% of the shares of the subsidiary, with certain vesting conditions and restrictions. In terms of the agreement, upon transfer of the award shares to the individual, the latter obtained all the rights of a shareholder, including the right to vote and to receive any dividends with respect to such shares, provided however that the individual may not sell, transfer, pledge or assign unvested award shares. The arrangement also includes the right by the company to repurchase and the right by the executive to sell the vested award shares at fair market value in the case of termination or resignation happening after the expiration of a fixed specified period.

In terms of agreements entered into in March 2019, other key personnel of RS2 Software, Inc. were granted 5,626 share options in the subsidiary (the 'share options'), representing 4.5% of the shares of the subsidiary, and which may increase up to a maximum of 10%, with certain vesting conditions. In terms of the agreement, upon vesting of the share options, the participants may exercise all or a portion of the options vested to the extent of the shares vested. Upon termination of employment, all shares issued upon exercise of the options shall be subject to a call option by the company to repurchase at fair market value.

15 RELATED PARTY TRANSACTIONS

The Company has a related party relationship with its parent company, its subsidiaries, the Company's key management personnel, entities in which the Directors or their immediate relatives have an ownership interest and entities that provide key management personnel services to the Group ("other related parties").

Further details on related party transactions are available in the Annual Reports published by the Company which are available on display as detailed in section 22.

Transactions with parent company
Transactions with the parent company are limited to the principal and interest charged on the loan receivable. As indicated in section 6.3.2 above, Mr Radi Abd El Haj, Executive Director and Chief Executive Officer, is the ultimate beneficial owner of the parent company.

Transactions with subsidiaries
Transaction with subsidiaries include support services provided to or received from subsidiary companies as well as recharges of salaries and overheads where appropriate.

Transactions with key management personnel
Transactions with key management personnel (including Directors and senior management) are limited to fees, remuneration, share based payments and other benefits emanating from their service contracts as explained above.

Transactions with other related parties
Barclays Bank plc holds 18.25% of the Ordinary Shares of RS2 Software p.l.c. and is consequently classified as a related party. All transactions with Barclays Bank plc are in the ordinary course of business and are conducted at arm's length.

The Company uses the legal services of GTG Advocates in relation to advice given to the Company. Amounts are billed based on normal market rates for such services and are due and payable under normal payment terms. The Company also uses consultancy services by one of the Directors.

16 HISTORICAL FINANCIAL INFORMATION

The historical financial information of the Group is included in the audited financial statements for each of the financial years ended 31 December 2017, 2018 and 2019. The said statements and the auditor's reports thereto are available for inspection as set out under the heading "*Documents on Display*" in section 22 of this Registration Document.

The unaudited interim financial statements of the Group for the six months ended 30 June 2020 are also available for inspection as set out under the heading "*Documents on Display*" in section 22 of this Registration Document.

Save for what has been stated in section 10 above, there has been no significant change in the financial or trading position of the Group since 31 December 2019, being the last period for which audited consolidated financial statements have been prepared.

17 DIVIDEND POLICY

The Directors of the Company expect that, subject to available cash flows, the requirements of the Act, unforeseen circumstances and economic conditions that might have an impact on the Company's financial performance, the Company will distribute dividends to its shareholders.

The Company will also balance the distribution of dividends against the use of these funds towards growing the enterprise value of the business by investments including in new markets and new services. In this way the Company will seek to maximise shareholders' return.

The Preference Shares shall carry the right to participate in the distribution of dividends at a premium of not less than 10% over the dividend distributed and payable to the holders of Ordinary Shares on a non-cumulative basis.

18 LEGAL AND ARBITRATION PROCEEDINGS

The Directors are not aware of any pending or threatened governmental, legal or arbitration proceedings which may have, or have had in the recent past, significant effects on the Group's financial position or profitability.

19 MATERIAL CONTRACTS

The Group is not party to any contract, not being a contract entered into in the Group's ordinary course of business, giving rise to an obligation or entitlement which is material to the Group as at the date of this Registration Document.

20 ADDITIONAL INFORMATION

20.1 SHARE CAPITAL

As at the date of this Prospectus, the authorised share capital of the Company is €18,000,000. The issued share capital of the Company is €11,578,114 divided into 192,968,569 Ordinary Shares of a nominal value of €0.06 each, all fully paid-up.

The table below shows the movements in the issued ordinary share capital for the years ended 31 December 2017, 2018 and 2019.

	2017	2018	2019
In issue at 1 January	158,333,187	171,527,619	171,527,619
Bonus issue	13,194,432	-	21,440,950
In issue at 31 December	171,527,619	171,527,619	192,968,569

The entire Ordinary Shares of the Company are listed on the Official List of the MSE. An application will be made with the Listing Authority and the Malta Stock Exchange for the Preference Shares to be admitted to Listing and Trading on the Official List of the Malta Stock Exchange.

The voting rights attaching to each class of shares are set out below:

Ordinary Shares

Voting rights	Each ordinary shareholder shall be entitled to two (2) votes per share at the meetings of the shareholders.

Preference Shares

Voting rights	The holders of Preference Shares shall have the right to attend at general meetings of the Company and to receive notices, reports and balance sheets as the holders of any class of Ordinary Shares, but save for specific circumstances as documented in the Company's Memorandum and Articles of Association, shall not have the right to vote at any general meeting of the Company. When applicable, each Preference Shareholder shall be entitled to one (1) vote per share.

There is no capital of the Company which is currently under option.

20.2 MEMORANDUM AND ARTICLES OF ASSOCIATION OF THE COMPANY

The Memorandum and Articles of Association of the Company are registered with the Malta Business Registry. A full list of the objects for which the Company is established is provided in Article 4 of the Memorandum. These objects include, *inter alia*:

a. to develop, market, sell and install computer software and software solutions and hardware for banks, service providers and other financial and non-financial organisations;

b. to act as service providers with the use of software developed by the Company;

c. to acquire, hold and dispose by any title whatsoever shares, debentures, securities of any other type and any other interest in any company, corporation, partnership, and any other legal person as well as in any joint venture whose objects, scope or activities are connected, complimentary or useful to the business of the Company, including in any payment institution/s, financial institution/s, credit institution/s and providers of services to such institutions as well as to merchants; and

d. to do all such other things as may be collateral, relative, subsidiary, complementary, ancillary or in any other way necessary or useful to give effect to the object for which the Company is constituted.

A copy of the Memorandum and Articles of Association of the Company may be inspected at the Malta Business Registry during the lifetime of the Company.

21 INTEREST OF EXPERTS AND ADVISERS

This Registration Document does not contain any statement or report attributed to any person as an expert.

22 DOCUMENTS ON DISPLAY

For the duration period of this Registration Document the following documents shall be available for inspection at the registered address of the Company:

A. The Memorandum and Articles of Association of the Company;

B. The consolidated audited financial statements of RS2 Software p.l.c. covering the years ended 31 December 2017, 2018 and 2019, together with the Auditors' Reports thereon; and

C. The consolidated unaudited interim financial statements of RS2 Software p.l.c. for the six months ended 30 June 2020.

The documents mentioned above shall also be available on the *Investor Relations* section of the Company's website www.rs2.com.

REGISTRATION DOCUMENT

ANNEXES

ANNEX I

LIST OF DIRECTORSHIPS

Save for their directorship in the Company, the Directors hold or have held (in the past 5 years), the following directorships:

MARIO SCHEMBRI

Company name	Registration number	Country	Status
RS2 Software, Inc.	82-5471416	USA	Active
RS2 Software APAC Inc.	CS201606521	Philippines	Active

RADI ABD EL HAJ

Company name	Registration number	Country	Status
RS2 Software, Inc.	82-5471416	USA	Active
RS2 Software APAC Inc.	CS201606521	Philippines	Active
RS2 Holding GmbH	HRB50919	Germany	Active
RS2 Software LAC LTDA	35.229.038.882	Brazil	Active
RS2 Holding Europe GmbH	HRB52553	Germany	Active
Yellow Stone BVI	1801396	BVI	Active

ROBERT TUFIGNO

Company name	Registration number	Country	Status
E-Tech Limited	C 29285	Malta	Active
Europadvice Limited	C 24442	Malta	Active
Finac Limited	C 17916	Malta	Active
GTG Limited	C 19239	Malta	Active
Marben Limited	C 50830	Malta	Active
Millennium Communications Limited	C 25561	Malta	Active
Proserv Properties Limited	C 13995	Malta	Active
Katendrecht Limited	C 22044	Malta	Relinquished
Kieldrecht Ltd	C 22043	Malta	Relinquished
Kitzbuhl-Hathaway Investments Limited	C 28606	Malta	Relinquished
Media Centre Limited	C 42258	Malta	Relinquished
Pendrecht Limited	C 22033	Malta	Relinquished
RTK Limited	C 12857	Malta	Relinquished

FRANCO AZZOPARDI

Company name	Registration number	Country	Status
Vella Brothers Limited (Express Group)	C 3768	Malta	Active
Express Trailers Limited	C 4278	Malta	Active
Express Trailers Engineering Limited	C 76278	Malta	Active
Express VRT Limited	C 22618	Malta	Active
Express Group Limited (non-trading)	C 57218	Malta	Active
Eyre Cargo Services Limited	C 59901	Malta	Active
Emmanuel Vella & Sons Limited (non-trading)	C 59900	Malta	Active
Express Freights Limited (non-trading)	C 59903	Malta	Active
Atlas Insurance PCC Ltd	C 5601	Malta	Active
Grand Harbour Marina PLC	C 26891	Malta	Active
Saki La Limited (holding) (non-trading)	C 43050	Malta	Active
Pelangi Limited (subsidiary) (non-trading)	C 46925	Malta	Active
3a Malta Limited	C 41217	Malta	Active
PMS Holdings Ltd	C 4146	Malta	Relinquished
APS Bank plc	C 2192	Malta	Relinquished

JOHN ELKINS

Company name	Registration number	Country	Status
RS2 Software, Inc.	82-5471416	USA	Active
Finca International	13-32440109	USA	Active
Elateral Group Ltd.	07435521	USA	Active
Travelex Currency Services	2004853	USA	Active
Card Dynamics	B87706578	Spain	Active

RAŠA KARAPANDŽA

No other directorships

DAVID PRICE

No other directorships

ANNEX II
PROFIT ESTIMATES AND FORECASTS

1 INTRODUCTION

The expectations of the Directors with respect to the future operations of RS2 Software Group for the financial years ending 31 December 2020, 2021, 2022, and 2023 are presented in this Annex II of the Registration Document (the **"Profit Estimates and Forecasts"**). The basis of preparation and the key assumptions underlying the Profit Estimates and Forecasts are set out in detail hereunder.

The Profit Estimates and Forecasts are intended to show a possible outcome based on a mixture of best-estimate assumptions as to future events which the Directors expect to take place, actions the Directors expect to take, hypothetical assumptions about future events and other management actions which may not necessarily take place. Events and circumstances frequently do not occur as expected and therefore actual results may differ materially from those included in the Profit Estimates and Forecasts.

The Profit Estimates and Forecasts are not intended to, and do not, provide all the information and disclosures necessary to give a true and fair view of the financial results of RS2 Software Group in accordance with International Financial Reporting Standards (**"IFRS"**) as adopted by the EU.

The Directors have exercised due care and diligence in adopting the assumptions below. The Directors formally approved the Profit Estimates and Forecasts on 8 February 2021 and the stated assumptions reflect the judgements made by the Directors as at that date. The assumptions that the Directors believe are significant to the Profit Estimates and Forecasts are set out in section 4 below.

The Profit Estimates and Forecasts have not been audited. An independent accountant report prepared by Deloitte Services Limited in accordance with *ISAE 3000 – Assurance Engagements Other than Audits and Reviews of Historical Financial Information* is included in Annex III of this Registration Document.

2 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of RS2 Software Group are set out in note 4 to the consolidated audited financial statements for the year ended 31 December 2019. Where applicable and in so far as they relate to recognition and measurement criteria, these accounting policies, have been consistently applied in the preparation of the Profit Estimates and Forecasts.

At the date of this Prospectus, amendments to existing accounting standards, and interpretations have been published by the International Accounting Standards Board (IASB) but are not yet effective. None of these amendments or interpretations have been adopted early by the Group. Further information about such new amendments is included in note 5 to the consolidated audited financial statements for the year ended 31 December 2019.

3 BASIS OF PREPARATION AND SIGNIFICANT ASSUMPTIONS

The Profit Estimates and Forecasts include the forecast for the financial year ended 31 December 2020. This forecast is based on the unaudited management accounts for the Group to 31 October 2020, and the forecast for the period 1 November to 31 December 2020 based on the results achieved up to October 2020 and extrapolated until year-end.

The Profit Estimates and Forecasts have been compiled on the basis of the Group's strategy and objectives explained in section 9.7 of the Registration Document, taking into consideration the trends impacting the business as set out in section 10.1 of the Registration Document.

The Profit Estimates and Forecasts have been compiled and prepared on a basis which is both comparable and consistent with the consolidated historical financial information of the Group and its accounting policies, and have been prepared in line with IFRS as adopted by the EU.

The principal assumptions underlying the Profit Estimates and Forecasts relate to the increase in expected client contracts, amount of services required therefrom and number of transactions to be processed, as well as human resources and infrastructure expenditure required to meet the anticipated demand. Other principal assumptions relating to the environment in which RS2 Software Group operates as well as the factors that the Directors can influence, and which underlie the Profit Estimates and Forecasts, are outlined in section 4 below.

Assumptions relating to the environment in which RS2 Software Group operates and the factors which are exclusively outside the influence of the Directors and which underlie the Profit Estimates and Forecasts are the following:

- there will not be any material adverse events originating from market and economic conditions;
- interest rates and exchange rates will not change materially throughout the period covered by the Profit Estimates and Forecasts;
- the basis and rates of taxation will not change materially throughout the period covered by the Profit Estimates and Forecasts;
- the rate of inflation will not exceed that experienced in the last few years; and
- where required, regulatory approvals will be obtained on a timely basis.

4 PROJECTED CONSOLIDATED INCOME STATEMENTS

RS2 Software Group's projected consolidated Income Statements for the years ending 31 December 2020, 2021, 2022 and 2023, as well as comparative audited consolidated income statement for the year ended 31 December 2019 are included below:

RS2 Software p.l.c.
Consolidated Income Statements
for the years ended 31st December

	2019 Audited €000s	2020 Forecast €000s	2021 Projected €000s	2022 Projected €000s	2023 Projected €000s
Revenue	**22,100**	**25,121**	**42,486**	**68,416**	**102,007**
Cost of Sales	(15,097)	(18,748)	(28,325)	(41,454)	(53,769)
Gross Profit	**7,003**	**6,373**	**14,161**	**26,962**	**48,238**
Marketing and promotional expenses	(1,852)	(1,319)	(3,317)	(6,462)	(8,381)
Administrative and other expenses	(7,026)	(8,181)	(9,957)	(12,867)	(14,991)
Other (expenses) / income	(120)	(552)	43	52	55
Results from operating activities	**(1,995)**	**(3,679)**	**930**	**7,685**	**24,921**
Net finance costs	(120)	(252)	(315)	(87)	(64)
(Loss)/profit before tax	**(2,115)**	**(3,931)**	**615**	**7,598**	**24,857**
Income tax expense	(1,089)	(1,238)	(601)	(1,744)	(6,404)
(Loss)/Profit for the year	**(3,204)**	**(5,169)**	**14**	**5,854**	**18,453**
Attribute to:					
Owners of the company	(1,634)	(3,153)	163	4,809	14,773
Non-controlling interest	(1,570)	(2,016)	(149)	1,045	3,680
(Loss)/Profit for the Year	**(3,204)**	**(5,169)**	**14**	**5,854**	**18,453**
EBITDA (Earnings before Interest, Tax Depreciation and Amortisation)					
Results from operating activities	(1,995)	(3,679)	930	7,685	24,921
Depreciation	1,004	926	1,668	2,221	3,159
Amortisation	792	858	985	1,182	1,382
EBITDA	**(199)**	**(1,894)**	**3,583**	**11,088**	**29,462**
EBITDA% on revenue	(1%)	(8%)	8%	16%	29%
Number of employees	317	429	467	531	568

Set out below are the main assumptions and characteristics which the Directors believe underlie the Profit Estimates and Forecasts:

4.1 INTRODUCTION

The Group is offering the equivalent of up to *circa* €50 million in Preference Shares for subscription by investors. This amount would enable the Group to:

i. increase the Group's profile and brand awareness;

ii. foster organic growth investment to ramp up and strengthen operations by focusing on Europe and North America as well as extending its reach to APAC and LATAM;

iii. invest in organisation and regional expansion by scaling up sales, marketing and market communication;

iv. invest further in its own acquiring business initially in Europe and the US and subsequently globally by following the Group's customers base (see section 7.3 of the Registration Document);

v. develop and execute the technology roadmap to enhance product capability and service offering;

vi. support RS2 in pursuing growth over profitability in the medium term;

vii. repay short-term bank facilities mainly composed of bank overdrafts taken to finance the Group's investment in operating expenditure necessary to execute its growth plans; and

viii. sign accretive add-on acquisitions of companies to enhance our capability, to scale and improve time-to market through M&A transactions.

Points (i) to (vii) above will enable the Group to proceed with:

- further investment in the United States (applying *circa* €4 million of the proceeds from the Offer);
- additional investment in the Merchant Solutions business (applying *circa* €6 million of the proceeds from the Offer);
- product enhancements in line with the Group's strategic product road map (applying *circa* €5 million of the proceeds from the Offer); and
- the repayment of short-term bank facilities (applying *circa* €10 million of the proceeds from the Offer).

The balance from the proceeds pursuant to the offer of Preference Shares, amounting to up to €25 million, willl be applied towards:

- M&A transactions which will complement the Group's business and growth plans (applying *circa* €15 million of the proceeds from the Offer); and
- further investments in the technical capability of the platform and the service offering ensuring a full automation for its operation including the Processing Solutions business, business intelligence within Software Solutions and a fully digitalised KYC/AML, merchant on boarding and payment gateway services for its Merchant Solutions business (applying *circa* €10 million of the proceeds from the Offer).

Due to their nature, M&A transactions cannot be timed, nor can they be assessed in terms of their impact on the income statement and as such the Profit Estimates and Forecasts do not include the effects of such initiatives. Similarly, the additional investment in the technical capabilities of the Group will be required following the attainment of certain levels of growth and operations, which as such, can only be ascertained and assessed (in terms of their impact on the income statement) at a later stage.

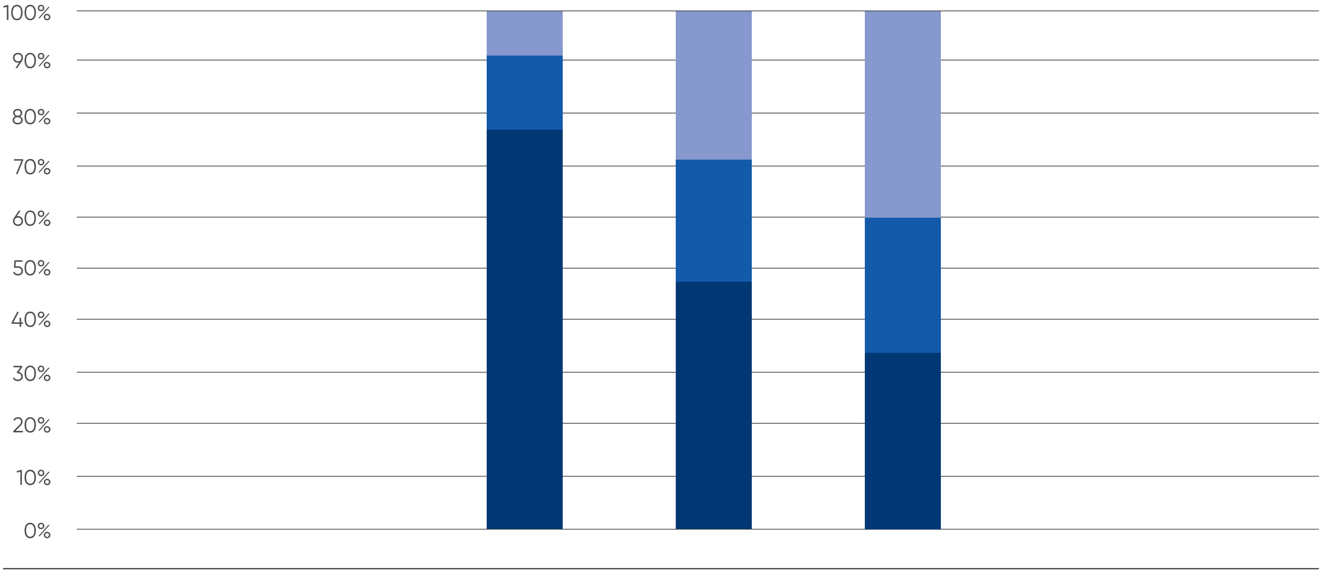
4.2 REVENUE

Total revenue for 2020 is expected to reach €25.1 million, an increase of 14% over 2019. Revenue is then expected to increase by a further 69% in 2021 to €42.5 million. Revenue projections take into consideration agreements with existing clients and expected new agreements, as well the anticipated demand from these clients, either in the form of the level of services required (in the case of Software Solutions) or in the form of the number of transactions to be processed (in the case of Processing Solutions and Merchant Solutions).

During the first quarter of 2021, the Group will see a fundamental shift in operations, particularly in the Processing Solutions segment, moving away from a focus on implementations to processing of transactions. A number of large processing customer implementations that were ongoing during 2020, are now being completed and going live, thus resulting in new recurring revenue with effect from late 2020, and throughout 2021.

Revenue projected for 2021 includes 77% which is anticipated to be generated from existing clients, and 14% from new contracted or committed clients (see figure 1), while revenue for 2022 and 2023 continue to build further on this basis, as well as anticipating further new clients in the pipeline.

Revenue Generation



	2021P	2022P	2023P
Business Pipeline	9%	29%	40%
New contracted/committed clients	14%	23%	26%
Existing clients	77%	48%	34%

Figure 1 *- Revenue Generation, Source: Management Information*

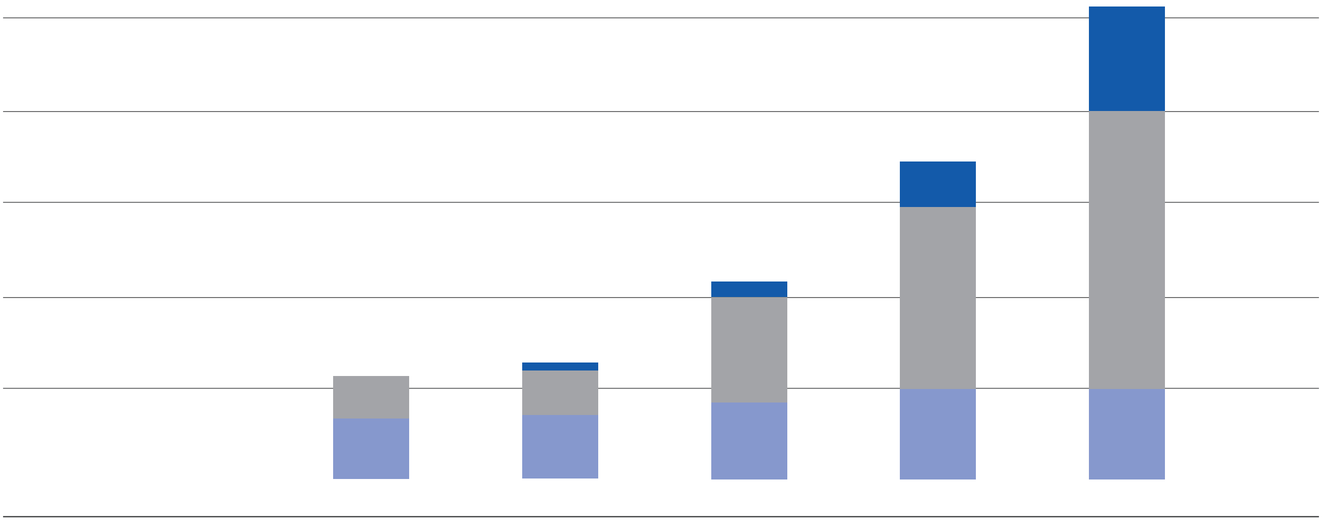
Further growths of 61% and 49% are anticipated in 2022 and 2023 respectively, driving revenue to €102 million in 2023. This growth pattern is mainly characterised by the following:

- Software Solutions revenue is expected to remain stable over the coming three years as the Group will continue to shift its focus towards the more lucrative Processing and Merchant Solutions, while still servicing existing clients and on-boarding selective and strategic clients with this business line.

- Processing Solutions revenue is expected to increase almost threefold over the three year period 2021 – 2023 as the Group continues to increase the number of transactions processed for existing clients and more importantly attracting and adding new clients with significant transaction volumes.

- Merchant Solutions revenue is expected to gain momentum in 2022 as the business starts to ramp up and continues to increase further in 2023 as more clients and volumes are added to the portfolio.

Revenue by Business Segment 2019 - 2023 (€ *millions*)



	2019A	2020F	2021P	2022P	2023P
Merchant Solutions	-	1.5	3.0	9.6	22.1
Processing Solutions	8.5	9.3	22.4	39.8	60.3
Software Solutions	13.6	14.3	17.1	19.0	19.6

Figure 2 *- Revenue by business segment, Source: Annual Report for the year ended 31 December 2019 and Management Information for the years ended 31 December 2020, 2021, 2022, and 2023.*

Below are the principal assumptions for each business segment:

4.2.1 SOFTWARE SOLUTIONS

RS2 will continue to offer Licence Solutions to its existing client base which is largely dominated by two existing large licence clients.

During 2020, RS2 has entered into a contract with a significant client in the US for a 10-year Licence and Managed Service hybrid solution which will provide a steady stream of licence revenue for the duration of the agreement.

Save for the above, and in line with its business strategy, RS2 will continue to be selective in licence sales and will only target customers not competing directly with RS2, whether it is in processing or acquiring. Particularly in APAC, the Group expects an increase in revenue generated from licence and implementation fees of new clients in each of 2021, 2022 and 2023.

Within this business segment, RS2 will continue to work on its BankWORKS® platform to provide an End2End payment solution, adding new capabilities and other value-added services. Such new developments will also benefit the Group's other business lines as users of the BankWORKS® platform, thus continually enriching RS2's service offering.

4.2.2 PROCESSING SOLUTION

RS2's strategy of building and investing in its Processing Solution business line has proven to be the optimal strategy for the Group's growth plans and global expansion. Over the past few years, the Group managed to secure tier one premium clients from various industries such as payment service providers, financial institutions and merchants in different geographical regions including Europe, Latin America, Asia Pacific and North America.

With the current client base and the on-boarding of new ones, the Group continues to increase the volumes of transactions processed on its platform enabling the customers to transact across regions and consolidating their businesses on a single platform. The increase in the number of transactions processed is the main driver for the revenue growth projected for this business segment.

The Group's subsidiary RS2 Smart Processing Ltd. continues to increase the efficiency of its business operation by automating and digitalising its processes both internally and externally for its customers, providing a large set of APIs to integrate, consolidate and reconcile clients' business.

Due to its global reach through the current implementations, the Group's packaging of services is being enhanced in order to offer already existing capabilities to new clients in the different regions, shortening the implementation time and accelerating the time to market.

The primary focus in Processing Solutions will continue to be in Europe and the United States, while also building on the momentum already gained within Latin America (LATAM) and Asia Pacific (APAC) with focus on existing and key large markets, and also following existing customers into new markets. Particularly, in the United States, the main focus will be on processing for ISOs, PSPs, ISVs and PayFacs, and as the number of transactions processed increases, this will eventually ramp up to be a major contributor to the Group's total processing revenue as can be seen in figure 3 below.

A new variety of processing clients are going live between late 2020 and throughout 2021 which are expected to result in a significant increase in the number of transactions being processed on the Group's European platform servicing clients in Europe, LATAM and APAC by RS2 Smart Processing Ltd., as well as in the United States by RS2 Software, Inc. RS2 is also exploiting the opportunities of cross selling its global capabilities across different geographical regions, which contributes further to the increase in the number of transactions processed.

The number of transactions processed for the year ended 31 December 2019, and the expected number of transactions to be processed in the four-year period ending 31 December 2023 are shown below:

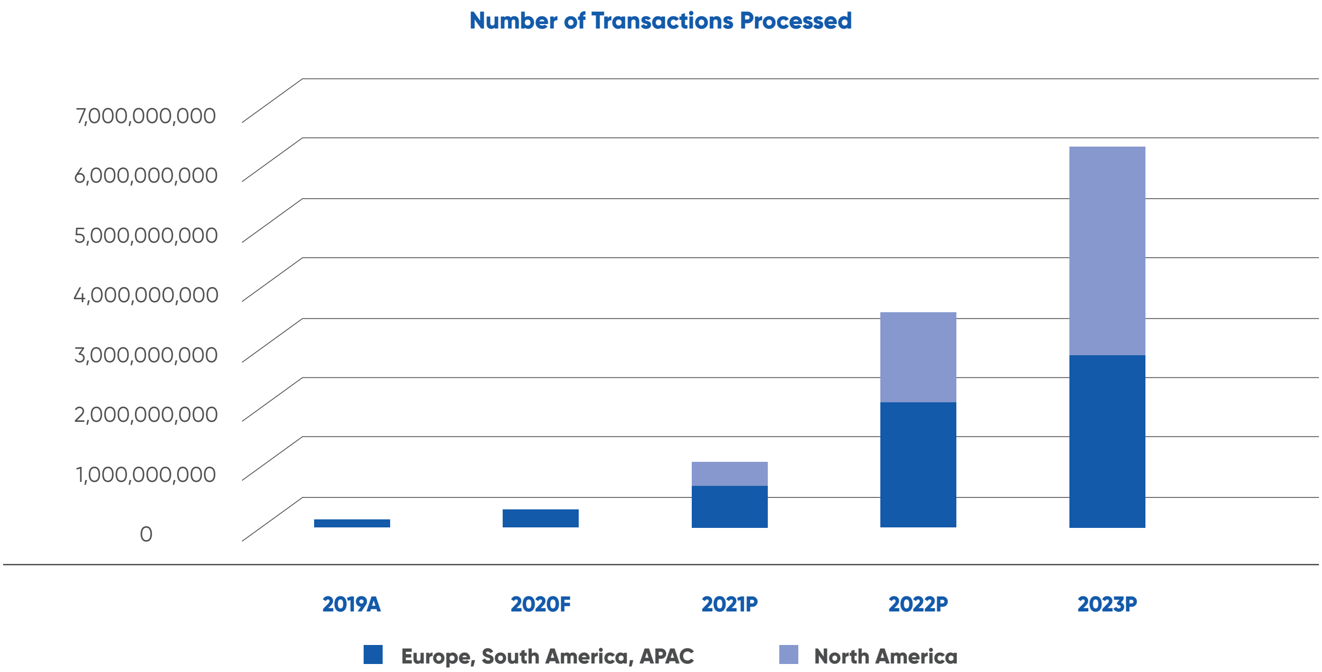


Figure 3 *- Number of transactions processed, Source: Management Information.*

As a result of the continuous development of the Group's BankWORKS® platform, new revenue streams are expected within Processing Solutions, most notable relating to chargeback services which is an attractive, margin-rich service. One of RS2's main goals is to develop BankWORKS® as a state of the art tool for dispute handling and to utilise RS2's industry experience to help merchants and RS2 as an acquirer to save time and resources, increase efficiency and significantly reduce the costs associated with chargebacks. With a highly automated End2End solution, RS2 can meet merchants' demand for a flexible electronic solution with as little effort for themselves as possible in disputing chargebacks.

4.2.3 MERCHANT SOLUTIONS

The Group expects to obtain its EMI licence from the BaFin and achieve technical readiness for launch by early 2021. The initial focus will be on the German market and later passporting the licence to other European countries. The product offering will cover international credit and debit card acquiring, girocard[1] acquiring, POS (point of sale) terminals, PSP (payment service provider) and NSP (network service provider) services. The Group expects to ramp up its business by initially cross selling acquiring services into the RS2 Zahlungssysteme (formerly KALICOM Zahlungssysteme GmbH) portfolio, and eventually through organic growth via on boarding of payment facilitators (PayFacs), and potential selective add-on acquisitions of profitable merchant portfolios.

During 2020 the Group has generated revenue from this business segment through its KALICOM acquisition for which steady growth is expected throughout the coming three years. RS2 Financial Services GmbH is expected to start generating revenue in 2021, gain momentum in 2022 and increase further in 2023 as is demonstrated in figure 3 above.

In the United States, the launch of Merchant Solutions is planned for 2022 by selling acquiring services directly to ISOs, PSPs, ISVs and PayFacs, with a full year of acquiring revenue expected by 2023. The Group will also follow its customers to enable them to acquire business globally due to the capability of the platform being one single platform covering omni and multi-channels that are easy to integrate through one single API.

4.3 COST OF SALES

Cost of sales are expected to increase from €18.7 million in 2020 to €53.8 million by 2023. A direct effect of the shift in the Group's business model from Software Solutions to Processing and Merchant Solutions is that cost of sales are expected to increase at a slower rate than the expected ramp up of revenue, thereby resulting in increasing gross profit margins (see figure 4 below).

The main components of cost of sales mainly include human resources costs, infrastructure costs and amortisation of intangible assets (as explained below).

Human resources costs are based on the requirements expected to meet the anticipated demand and include the following additions:

- Supplementing the operations teams for the Processing Solution in Europe and the US;
- Increasing headcount in 2022 and 2023 relating to value added services;
- Ramping up headcount within RS2 Financial Services GmbH for the complete structure required to fully launch the Merchant Solutions in 2021;
- Formation of a Product Enhancement Focus Team to focus on product development (see also *'Amortisation of intangible asset'* below); and
- Strengthening Group infrastructure and therefore increasing the relative technical unit headcount.

[1] Girocard is an interbank network and debit card service connecting virtually all German ATMs and banks, and is based on standards and agreements developed by the German Banking Industry Committee.

The increase in volumes being processed will inevitably also lead to an increase in infrastructure costs to process such transactions. Such costs relate to the investment required in the technological infrastructure to process such transactions and are directly proportionate to the number of transactions processed, although generally increase in stepped tier form.

One of the most significant cost component directly related to the number of transactions processed is the cost of the underlying database used by the BankWORKS® platform. Costs for the underlying database are incurred by the Group based on the respective tier (range of number of transactions processed) applicable at any point in time. As part of its product enhancement program, RS2 has embarked on an initiative to bring such cost to lower levels thereby slowing the rate of increase of such costs. The approach taken is to incrementally identify highly processing intensive activities and to re-engineer minimising the use of the database and shifting the load to a collection of micro service-based services. Following the investment in micro services which is expected to be completed by early 2021, these Profit Estimates and Forecasts assume that database costs will be lower than what they would have been in the absence of such micro service developments.

4.4 GROSS PROFIT

Gross Profit Margin for the Group shows a decrease in recent years, as the Group has been going through its investment phase (this can be seen also in gross profit for historic financial years 2017 to 2019 in section 9.2 of the Registration Document. This metric is expected to pick up exponentially in the coming years increasing from 25.4% in 2020 to 47.3% by 2023.

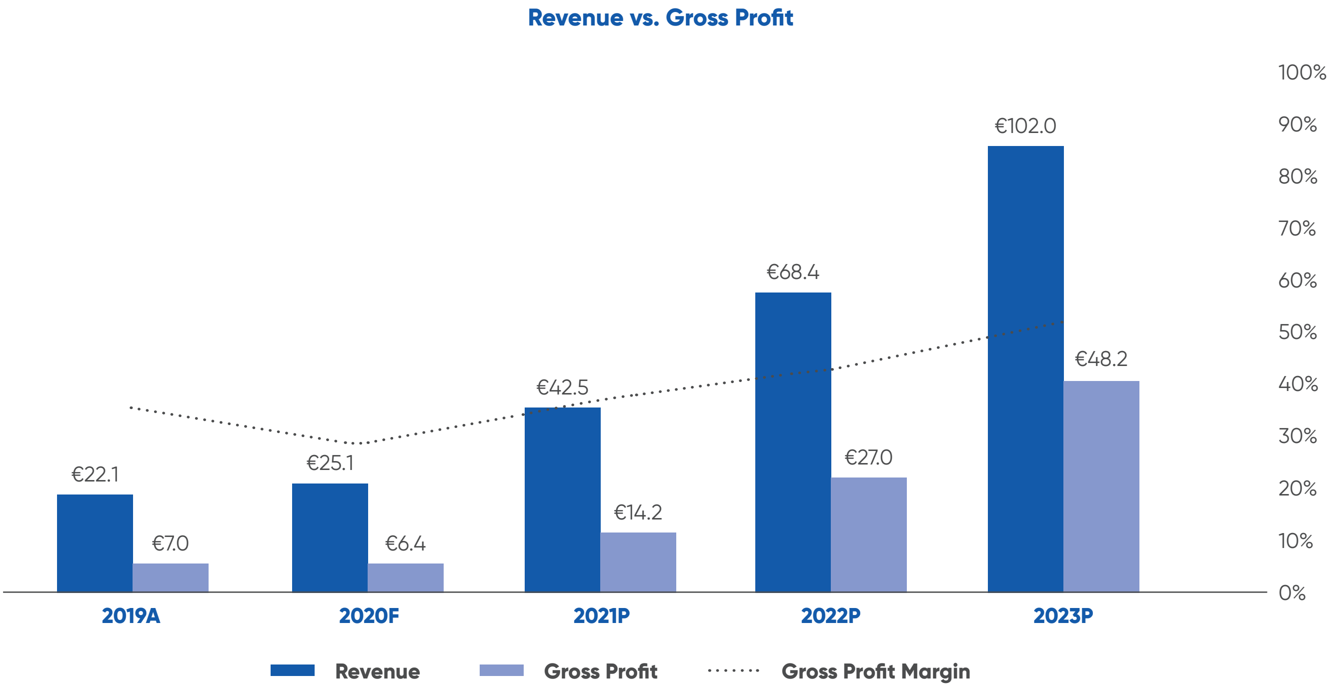


Figure 4 - Revenue vs. gross profit, Source: Annual Report for the year ended 31 December, 2019 and Management Information for the years ended 31 December 2020, 2021, 2022, and 2023.

A more detailed explanation of the main drivers for the turnaround in profitability is included in section 4.10 below.

4.5 MARKETING AND PROMOTIONAL EXPENSES

Marketing and promotional expenses are anticipated to increase from €1.3 million in 2020 to €8.4 million in 2023 as the Group increases its efforts in marketing and communications in order to boost its profile and brand awareness. These Profit Estimates and Forecasts assume a substantial increase in such activities targeted at strengthening its sales and marketing team in order to ensure a healthy pipeline of prospective clients for years to come.

4.6 ADMINISTRATIVE EXPENSES

Administrative expenses are expected to increase from €8.1 million in 2020 to €15 million in 2023. This is very much in line with the increase in anticipated operations. The main contributors to the increase in administrative expenses are:

- Increase in human resources cost as administrative functions are enhanced to reflect the growth within the Group; and

- Increase in depreciation cost on infrastructure expenditure necessary for the capacity required to process the planned transaction volumes.

4.7 NET FINANCE COSTS

Net finance costs up to 2021 mainly comprise costs of banking facilities. Other finance costs include the interest element in relation to the lease liabilities on premises leased by the Group in the United States, Germany, Philippines and Gozo in line with the requirements of IFRS16 – Leases.

4.8 TAXATION

Current taxation has been provided at the corporate tax rate applicable in the respective jurisdiction, namely 35% for Malta, 21% for United States, and 30% for Germany and the Philippines.

4.9 EBITDA

EBITDA represents Earnings before Interest, Tax, Depreciation and Amortisation and is calculated by adding back Amortisation and Depreciation to the Results from Operating Activities.

The Group has reported negative EBITDA in 2019 of €0.2 million and is expecting to report negative EBITDA of €1.9 million in 2020. This is in line with the Group's budgets for the year, being another year of significant investment in its operations. However, such investment is expected to pave the way for the inflection point expected as from 2021 as the Group's strategy is fully implemented and revenue starts being realised. In 2021, the Group expects to report EBITDA of €3.5 million in 2021, increasing to €11 million in 2022 and €29.4 million in 2023.

4.9.1 DEPRECIATION OF TANGIBLE ASSETS

Depreciation is calculated on a straight-line basis to allocate the cost of all items comprised within property, plant and equipment over their estimated useful lives. For the purpose of these Profit Estimates and Forecasts, depreciation is included within administrative expenses, consistent with the Group's presentation in its annual reports and in line with the existing accounting policies.

The depreciation charge is based on RS2 Software Group's fixed asset base as at 31 December 2019 adjusted for projected additions during the period of the projections (of approximately €10.7 million principally consisting of computer hardware and software necessary to process the expected volume of transactions).

4.9.2 AMORTISATION OF INTANGIBLE ASSET

The Group has planned several initiatives for further product development in line with its product roadmap to enhance and strengthen its products and the performance of the business. Such product development is carried out internally within the Group and the related costs, mainly human resources costs, are capitalised as intangible assets and amortised accordingly.

In line with the amortisation policy of the Group, development costs are amortised over a period of 15 years, and thus the related human resources costs will be spread over this period.

4.10 GROUP'S RESULTS

The past three years have been a period of significant investment for the Group particularly with regards to the Processing Solution in the United States through RS2 Software, Inc., as well as the new business line Merchant Solution mainly through RS2 Financial Services GmbH. To a large extent, the Group's investment is of an operational rather than capital nature, mainly comprising human resources and infrastructure costs, and is therefore expensed in the Income Statements.

The Group has reported losses in 2019 and is expecting to report losses before tax of €3.9 million in 2020. The 2020 forecast includes extraordinary and non-recurring costs related to M&A activity (KALICOM: €0.5 million), non-capitalised setup costs for the Merchant Solutions business (€0.4 million) and severance payments and termination benefits (€0.9 million), amounting to €1.8 million in total. Eliminating the effect of these one-off costs (reported within administrative and other expenses) would reduce the loss before tax being reported for 2020 to €2.1 million.

As a result of this period of investment, the Group is projecting profits before tax of €0.6 million in 2021, increasing to €7.6 million in 2022 and further increasing to € 24.9 million in 2023 (profits after tax of €0.014 million, €5.9 million and €18.5 million respectively).

In summary, the main drivers of this turnaround are:

- The shift from Software Solutions into Processing and Merchant Solutions, the latter of which being more lucrative business lines with recurring revenue, higher margins, faster time to market and per transaction revenue;

- Major clients with high transaction volumes in implementation during 2020 will be going live and start processing with effect from late 2020 and during 2021;

- Further on-boarding of high-volume clients during the coming years, as well as additional business from existing clients that add more processing volumes (sometimes by adding on new regions), thus resulting in exponential growth in transactions processed;

- The signing on of one major US customer on a hybrid Software and Processing Solutions model, engaged during 2020 which will take revenue generation for the Group to a new level;

- Past results included very limited revenues from other US clients. However, 2021 will see the launch of the core processing business in the US, to the extent that revenues from the US are expected to surpass those emanating from clients in Europe and all other regions combined;

- Merchant Solutions is expected to be launched during 2021. As such, the first full year of revenues for the Merchant Solutions in Europe will be in 2022, while in the US this will be in 2023, this being a new revenue stream for the Group when compared to the historical information;

- Investment in the Group's own micro services capabilities resulting in a slower rate of increase in infrastructure costs when compared to the rate of increase in transactions processed.

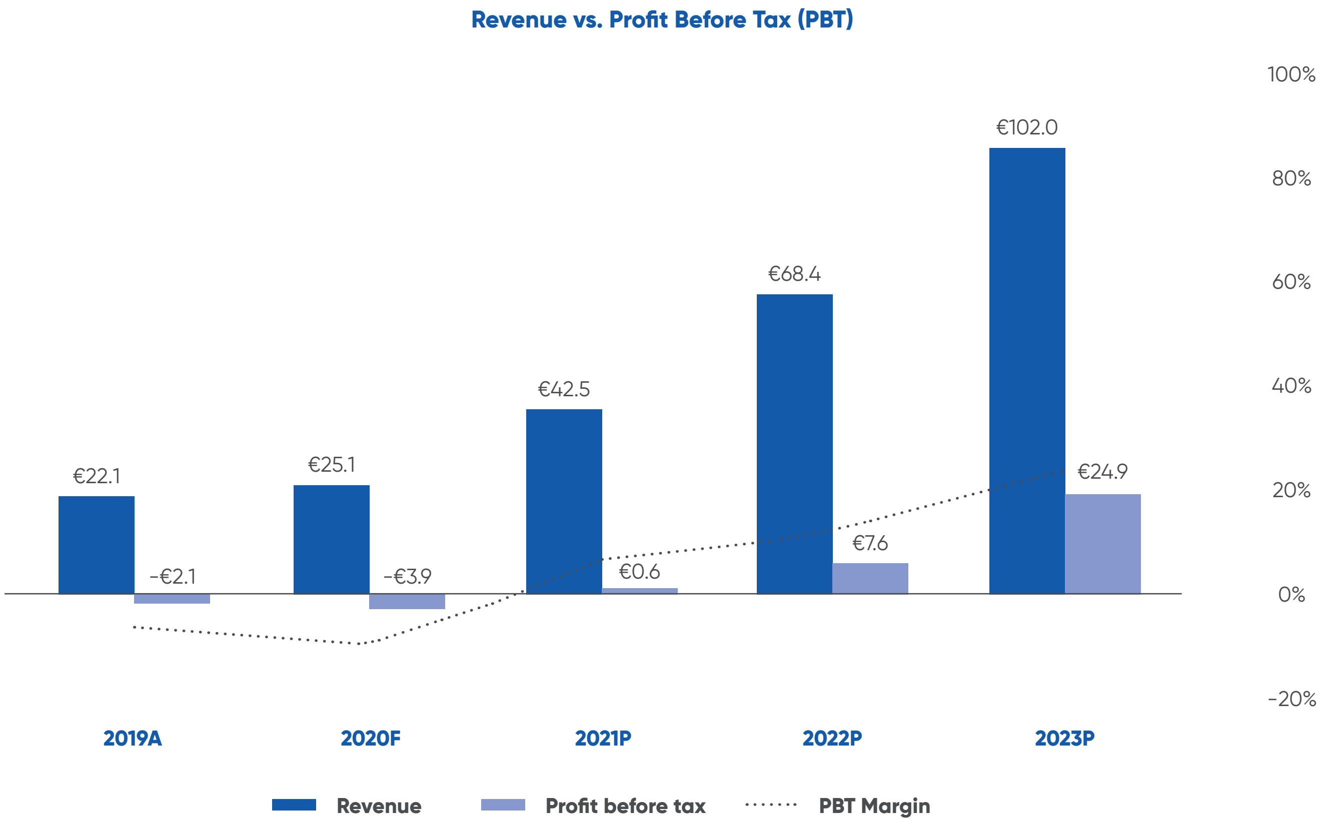


Figure 5 *- Revenue vs. profit before tax, Source: Annual Report for the year ended 31 December 2019 and Management Information for the years ended 31 December 2020, 2021, 2022, and 2023.*

Approved by the Board of Directors on 8 February 2021 and signed on their behalf by:

Mario Schembri
Chairman

Deloitte.

Deloitte Services Limited
Deloitte Place
Triq L-Intornjatur
Central Business District
CBD 3050
Malta

Tel: +356 2343 2000, 2134 5000
Fax: +356 2131 8196, 2134 4443
info@deloitte.com.mt
www.deloitte.com/mt

Company Reg No: C51320
VAT Reg No: MT2013 6212
Exemption number: EXO2156

09 February 2021

The Directors
RS2 Software p.l.c.,
RS2 Buildings,
Fort Road,
Mosta MST 1859,
Malta

Dear Sirs,

Independent Accountants' Report on the Profit Estimates and Forecasts of RS2 Software p.l.c.

We report on the forecast income statement ("the Forecast Financial Information") of RS2 Software p.l.c (the "Issuer") for the financial years ending 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023. The forecast financial information, the basis of preparation and the material assumptions upon which the forecasts are based, are set out in Annex II "Profit Estimates and Forecasts" of the Registration document as approved by the Board of Directors of RS2 Software p.l.c. on 8 February 2021.

This report is required in terms of rule 5.40 of the Listing Rules issued by the Listing Authority of the Malta Financial Services Authority and is given for the purpose of complying with that regulation and for no other purpose.

Directors' responsibilities for the Forecast Financial Information

It is the responsibility of the Company to prepare the forecast financial information and the assumptions upon which it is based, as set out in Annex II "Profit Estimates and Forecasts" of the Registration document, in accordance with the requirements of the Listing Rules issued by the Listing Authority of the Malta Financial Services Authority and EU Regulation EC 809/2004.

Accountants' responsibility

It is our responsibility to form an opinion as required by Listing Rule 5.40 as issued by the Listing Authority of the Malta Financial Services Authority and Annex IV item 9.2 of EU Regulation EC 809/2004 as to the proper compilation of the forecast financial information, in so far as the application of the underlying accounting policies and accuracy of calculations are concerned, and to report that opinion to you.

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Save for any responsibility which we may have to those persons to whom this report is expressly addressed, to the fullest extent permitted by law, we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such person as a result of, arising out of, or in connection with the report or our statement, required by and given solely for the purposes of complying with the Listing Rules, consenting to its inclusion in the Registration document.

Basis of preparation of the Forecast Financial Information

The financial information has been prepared on the basis stated in Annex II "Profit Estimates and Forecasts" of the Registration document and is based on the forecasts for the years ending 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023. The forecast financial information is required to be presented on a basis consistent with the accounting policies of the Company.

Basis of opinion

We have examined the basis of compilation and the accounting policies of the accompanying forecast financial information of the Company for the years ending 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023 in accordance with ISAE 3000 "Assurance Engagements Other than Audits and Reviews of Historical Financial Information". Our work included evaluating the basis on which the financial information included in the forecast has been prepared and considering whether the forecast financial information has been accurately computed based upon the disclosed assumptions and the accounting policies of the Company.

The assumptions upon which the forecast financial information is based are solely the responsibility of the Directors of the Company and accordingly we express no opinion on the validity of the assumptions. However, we considered whether anything came to our attention to indicate that any of the assumptions adopted by the Directors which, in our opinion, are necessary for a proper understanding of the forecast financial information have not been disclosed and whether any material assumption made by the Directors appears to us to be unrealistic.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the forecast financial information has been properly compiled on the basis stated, in so far as the application of the underlying accounting policies and accuracy of calculations are concerned.

The forecast financial information is not intended to, and does not provide all the information and disclosures necessary to give a true and fair view of the results of the operations and the financial position of the Company in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs).

Since the forecast financial information and the assumptions on which it is based relate to the future and may therefore be affected by unforeseen events, we can express no opinion as to whether the actual results reported will correspond to those shown in the forecast financial information and differences may be material.

Opinion

In our opinion, the Forecast Financial Information has been properly compiled on the basis stated and the basis of accounting used is consistent with the accounting policies of the Company.

Yours sincerely,

Raphael Aloisio
Director
Deloitte Services Limited