network

# Interim Financial Results
# 10th August 2023

**10th August 2023: Network International Holdings Plc**
**Interim results for the six months ended 30 June 2023**

| Group Financial Summary (USD'000) | H1 2023 | H1 2022 | y/y change |
|---|---|---|---|
| **Total revenue** | **239,290** | **205,032** | **16.7% (19% ccy[1])** |
| Merchant Services | 111,355 | 85,673 | 30.0% (33% ccy[1]) |
| Outsourced Payment Services | 125,990 | 117,926 | 6.8% (9% ccy[1]) |
| Other revenue | 1,945 | 1,433 | 35.7% |
| **Underlying EBITDA[2]** | **94,009** | **76,216** | **23.3%** |
| *Underlying EBITDA margin[2]* | *39.3%* | *37.2%* | 210bps |
| **Profit for the period** | **34,916** | **31,997** | **9.1%** |
| **Underlying free cash flow[2]** | **65,364** | **39,975** | **63.5%** |
| **Cash flow from operating activities** | **107,199** | **90,604** | **18.3%** |
| **Leverage[3]** | **0.6x** | **0.7x (FY22)** | **(0.1)x** |

## Financial performance reflecting good trading momentum and cost control across the business

- **Group revenue grew 17% y/y or 19% in constant FX,** driven by good performance in the UAE and Jordan, with Merchant Services up 33% and Outsourced Payment Services up 9% in constant currency.
- **Underlying EBITDA of USD 94.0 million with a margin of 39.3%, up 210bps y/y,** reflecting good revenue performance and delivery of cost efficiencies, whilst investing to support top line growth.
- **Profit for the period was USD 34.9 million, up 9% y/y**, driven by underlying EBITDA growth, slightly offset by higher net interest expense due to rising benchmark rates and a higher effective tax rate due to growing profits across Africa.
- **Underlying free cash flow was USD 65.4 million, up 64% y/y,** driven by higher underlying EBITDA and positive changes in working capital before settlement related balances.
- **Cash flow from operating activities was USD 107.2 million,** supported by strong business performance.

## Merchant Services delivering good growth given strong UAE TPV performance and merchant wins

- **Group Total Processed Volume (TPV[4]) grew 31% y/y or 33% in constant FX,** supported by strength in strategic focus areas across SME, online and hospitality. Group SME TPV participation increased to 32% (H1 2022: 28%), while Group online TPV (excl. Government) grew 54% y/y.
- **In the UAE and Jordan, domestic TPV[5] grew 28% y/y and international TPV[6] was up 53% y/y**, reflecting resilient domestic consumer spending, strong tourism inflow and our competitive offering versus peers.
- **New merchant wins remain high,** supported by our fully digital onboarding and sector specific solutions for SMEs; and new acquiring partnership with Emirates NBD also driving key enterprise wins.

## Outsourced Payment Services performance driven by transaction growth, cross-sell and new wins

- **Outsourced Payment Services revenue grew 7% y/y or 9% in constant FX,** driven by growth in core transaction processing and card hosting, alongside cross-selling of value-added-services and new wins, with good revenue growth in the Middle East offset by slower performance in Africa.
- **Eight new financial institution wins.** Includes three new wins in the Kingdom of Saudi Arabia and e& money in the UAE, the fintech arm of e& life, a leading regional telecom operator.

1. Ccy – Constant currency terms. 2. This is an Alternative Performance Measure (APM), see notes 3 and 4 of the condensed consolidated interim financial statements for APMs definition and the reconciliations of reported figures to APMs. 3. Refer to page 19 and 20 for the leverage ratio computation and reconciliation of net debt figures to the condensed consolidated interim financial statements. 4. TPV: Total Processed Volumes - the aggregate monetary volume of purchases processed by the Group within its Merchant Services business line. 5. Domestic TPV represents spending from consumers domiciled in the region. 6. International TPV represents consumer spending by overseas visitors.



Classification - Public

- **On-soil technology deployed in South Africa,** unlocking revenue opportunities and enhancing our competitive positioning by aligning us with new regulatory legislations to better serve customers locally.
- **Expanded the regional footprint of our N-Genius™ platform in Africa** having signed four new financial institutions for online acquirer processing services.

### Nandan Mer, Chief Executive Officer, commented:

"Network saw another good trading period, delivering 19% constant currency revenue growth in the first half of the year. Our performance continues to be supported by the acceleration of digital payments growth across key markets and is also evidence of our successful strategic execution, competitive services and product offering. Performance in our home market of the UAE has been particularly good, where we have seen consistent market share gains in direct-to-merchant services through 2022 and into 2023, supported by our continued focus on high growth strategic areas such as SME, online and hospitality. We have made good progress in new market opportunities, having secured another three new financial institutions in the Kingdom of Saudi Arabia and signed over 700 merchants since our direct-to-merchant service was launched in Egypt earlier this year. Whilst overall Africa performance was slower on the back of tough macro-economic conditions, we have recently deployed on-soil technology capabilities in South Africa, positioning Network to better serve customers locally and providing excellent foundations for future growth. We remain encouraged by performance across the Group and I thank our colleagues for their expertise and delivery of such good results."

### Results presentation

We will not be hosting a management presentation or conference call for analysts and investors today.

### Investor Relations enquiries

**Network International** InvestorRelations@Network.Global
Amie Gramlick, Head of Investor Relations

### Media enquiries

**Teneo** NetworkInternational@Teneo.com
Andy Parnis, Anthony Di Natale

### Forward Looking Statements

This announcement contains certain forward-looking statements with respect to the financial condition, results or operation and businesses of Network International Holdings Plc. Such statements and forecasts by their nature involve risks and uncertainty because they relate to future events and circumstances. There are a number of other factors that may cause actual results, performance or achievements, or industry results, to be materially different from those projected in the forward- looking statements.

These factors include general economic and business conditions; changes in technology; timing or delay in signing, commencement, implementation and performance of programmes, or the delivery of products or services under them; industry; relationships with customers; competition; and ability to attract personnel. You are cautioned not to rely on these forward-looking statements, which speak only as of the date of this announcement. We undertake no obligation to update or revise any forward-looking statements to reflect any change in our expectations or any change in events, conditions or circumstances.



Classification - Public

**New Business: merchant wins remain high, particularly across UAE SMEs, with FI wins also healthy**

Merchant signups:
We continue to attract a significant number of key account and SME merchants, having secured new wins including Talabat, one of the UAE's leading online food delivery services and Al Fujairah National Insurance Company. We also became the payments partner of choice for the Namibian government, enabling digital payments for e-visas and passport applications. Our ongoing focus on the SME segment continues to pay off, with y/y growth in UAE SME signings particularly strong in the month of May, up over 80% y/y, supported by sales team investment and the launch of new capabilities including our fully digital onboarding process and sector specific solutions.

Financial Institution (FI) wins:
We secured eight new customers across acquirer and issuer processing. This included Aafaq Islamic Finance, a leading provider of Shariah-compliant financial products and services in the Middle East, for end-to-end card processing and value-added-services. We also signed Vodacom Financial Services, one of Africa's most renowned Mobile Network Operators (MNOs) to provide merchant acquirer processing services in South Africa. In addition, we renewed three existing contracts, including a seven-year extension with Warba Bank in the Middle East and a five-year extension with Polaris Bank, one of Nigeria's leading retail banks. We also expanded portfolios with customers through successful cross-selling, including the provision of fraud monitoring services to Arab African International Bank and introducing Buy Now Pay Later (BNPL) capabilities for Capital Bank of Jordan. In new markets, we signed three new financial institutions in the Kingdom of Saudi Arabia, including Alinma Bank, one of the region's top five FIs, taking our total processing customers to nine in the region.

**Capabilities: continuing to widen our range of payment acceptance methods and value-added-services**

New payment methods for merchants:
- **The first to offer 'face pay' in the UAE,** enabling digital payments at select retail stores through facial recognition, in partnership with PopID.
- **Expanding our sector specific solutions across the Food & Beverage segment** having partnered with SerVme to provide restaurants with seamless payment processes alongside tailored insights through SerVme's reservation and CRM system. Our new partnership with TapNGo will also enable hotel guests to browse, place orders and make payments securely and seamlessly on a smartphone via a QR code.
- **Providing a seamless payment experience for educational institutions** through a new partnership with BMS Solutions, enabling the payment of school fees in the UAE, alongside value-added-services.
- **Enhanced mobile money capabilities in Africa** through our partnership with Ecocash, a Mobile Network Operator in Zimbabwe, enabling merchants in Africa to accept more mobile money payments.
- **Launching 'Tap on Phone' payment technology in Jordan,** enabling merchants to take payments through a smartphone, eliminating hardware requirements and improving the overall customer experience.

Value Added Services:
- **Expanding our insights and analytics proposition in Africa** through the launch of SmartView Merchant reports, providing merchants with in-depth actionable information on their business, including sales and transaction performance, dynamic currency conversion and loyalty analysis. This follows the success and strong uptake of our SmartView reports for SME merchants in the UAE and Jordan.

New services for Financial Institutions and credential issuing customers:
- **Expanding the regional footprint of our N-Genius$^{TM}$ online platform,** having rolled out the white label online payment solutions to a further four financial institutions, with the platform now live across 26 African countries.



Classification - Public

- **Fraud monitoring capabilities continuing to gain traction**, having signed a new agreement with United Arab Bank for the provision of fraud monitoring solutions, in partnership with FICO, and extended Arab African International Bank's portfolio to include fraud monitoring.

**New markets: successful launch of merchant services in Egypt, on-soil technology live in South Africa**

We deployed our technology stack and launched a new revenue opportunity in direct-to-merchant services in Egypt at the start of the year. The digital payments landscape remains attractive in the region, having secured over 700 merchants, including Tradeline, who are Apple's authorized resellers. The recent launch of direct-to-merchant services follows our successful and long-standing processing services offer in the region.

Our on-soil technology platform is also live in South Africa, unlocking new revenue opportunities and enhancing our competitive positioning in structurally attractive markets across Africa. The launch aligns Network with new regulatory legislations to better serve customers locally in the region.

**ESG: good progress on our framework, further enhancing CliQ Transaction capabilities in Jordan**

Our ESG strategy is focused on where we can have the most impact in the regions in which we operate. This is underpinned by four objectives; i) financial inclusion; ii) responsible business practices; iii) equal and fair treatment of employees and; iv) our environmental footprint. In support of financial inclusion, we continued to improve our capabilities through CliQ instant payments in Jordan. This enables unbanked individuals to make payments through QR codes via their mobile service provider at all our merchant customers. We have also progressed on minimising our environmental impact having implemented measures to reduce Scope 1 and 2 emissions, principally by reducing electricity consumption, including the installation of LED lights and motion sensors across multiple office locations. Our Broad-Based Black Economic Empowerment (B-BBEE) score in South Africa has improved significantly from level 8 in December 2022 to Level 5 in June 2023, having committed to supporting and enhancing our local workforce.

**Recommended Takeover Offer:**

On 9 June 2023, the board of Network announced the terms of a recommended cash acquisition of the Group by BCP VI Neptune Bidco Holdings ("BidCo"), an entity indirectly owned by Brookfield Business Partners together with private equity funds managed and/or advised by affiliates of Brookfield Asset Management Ltd Limited (the "Acquisition"), which is being implemented by way of a scheme of arrangement (the "Scheme"). The circular to Network's shareholders in relation to the Scheme (the "Scheme Document") was published on 12 July 2023 and the Scheme was approved by the requisite majorities of Network shareholders at the relevant meetings held on 4 August 2023. The Acquisition remains conditional on, among other things, receipt of merger control and regulatory approvals in a number of jurisdictions, further details of which are set out in the Scheme Document. Subject to receiving these approvals, the Acquisition is expected to become effective in Q4 2023. Network will announce further updates via a Regulatory Information Service at the appropriate time.

**Nandan Mer**
Chief Executive Officer
9th August 2023



Classification - Public

# Financial Review

| | H1 2023 USD'000 | H1 2022 USD'000 | Change |
|---|---|---|---|
| **Select financials** | | | |
| Revenue | 239,290 | 205,032 | 16.7% (19% ccy[3]) |
| Underlying EBITDA[1] | 94,009 | 76,216 | 23.3% |
| Underlying EBITDA margin[1] | 39.3% | 37.2% | 210bps |
| Profit for the period | 34,916 | 31,997 | 9.1% |
| Underlying net income[1] | 38,469 | 34,301 | 12.2% |
| Underlying basic earnings per share (USD cents) | 7.1 | 6.2 | 14.5% |
| Reported basic earnings per share (USD cents) | 6.4 | 5.8 | 10.3% |
| Underlying free cash flow (u. FCF) [1] | 65,364 | 39,975 | 63.5% |
| Cash flow from operating activities | 107,199 | 90,604 | 18.3% |
| Leverage[2] | 0.6x | 0.7x (FY22) | (0.1)x |
| | | | |
| **Segment results[7]** | | | |
| Merchant Services revenue | 111,355 | 85,673 | 30.0% (33% ccy[3]) |
| Outsourced Payment Services revenue | 125,990 | 117,926 | 6.8% (9% ccy[3]) |
| Other revenue[4] | 1,945 | 1,433 | 35.7% |
| | | | |
| Merchant Services contribution margin[1] | 71.9% | 71.0% | 90bps |
| Outsourced Payment Services contribution margin[1] | 70.6% | 70.8% | (20)bps |
| | | | |
| **Geographic results** | | | |
| Middle East revenue | 172,490 | 136,567 | 26.3% |
| Africa revenue | 66,328 | 68,465 | (3.1)% (+5% ccy[3]) |
| Other revenue[5] | 472 | - | - |
| | | | |
| **Key Performance Indicators[6]** | | | |
| Total Processed Volume (TPV) (USD m)[7] | 28,102 | 21,399 | 31.3% (33% ccy) |
| Total number of credentials hosted (m) | 18.3 | 17.0 | 7.6% |
| Total number of transactions (m) | 766.0 | 598.3 | 28.0% |

1. This is an Alternative Performance Measure (APM). See notes 3 and 4 of the condensed consolidated interim financial statements for APMs definition and the reconciliations of reported figures to APMs.
2. Refer to page 19 and 20 for the leverage ratio computation and reconciliation of net debt figures to the condensed consolidated interim financial statements.
3. Ccy – constant currency – for constant FX definition, please refer to page 21.
4. Other revenue under segment results primarily includes cash advance fees on withdrawals from ATMs, foreign exchange gains / (losses) arising from the Merchant Services and Outsourced Payment Services business lines, and revenues recognised relating to the Mastercard strategic partnership.
5. Other revenue under Geographical results includes only revenue recognised relating to the Mastercard strategic partnership.
6. For KPIs definition, please refer to page 21.
7. H1 2022 Segment Results and TPV have been restated following the new segmentation of business lines, with TPV now primarily excluding acquirer processing volumes, as presented in the FY 2022 Annual Report and Accounts.



Classification - Public

## Total revenue

Total revenue in the first half increased by 16.7% y/y to USD 239.3 million (H1 2022: USD 205.0 million), or 19.3% y/y in constant FX[1].

## Revenue results by operating segments

### Merchant Services revenue

Merchant Services is focused on direct-to-merchant payment services in the UAE, Jordan and Africa, representing 47% of total revenue (H1 2022: 42%). Merchant Services revenue grew 30.0% y/y to USD 111.4 million (H1 2022: USD 85.7 million), or 32.7% in constant FX[1]. Momentum was strong in the period, mainly driven by supportive underlying market conditions and consumer confidence in the UAE and Jordan, alongside our performance in the SME segment. Revenue from value-added-services increased significantly in the period, nearly doubling, driven by the rollout and uptake of new capabilities, particularly data and information services through Merchant Dashboards.

Total Processed Volume (TPV[2]), which represents the monetary volume of consumer purchases processed by the Merchant Services business, grew 31.3% y/y to USD 28.1 billion (H1 2022: USD 21.4 billion) or 32.9% in constant FX[1]. This was supported by good growth across all regions, despite continued challenging macroeconomic conditions in South Africa. The strong overall TPV performance was also driven by growth across strategic focus segments, with online TPV (excl. Government) up 54% y/y, and SME TPV accelerating in the period, up 52% y/y, aided by another period of record merchant wins and the launch of our fully digital onboarding process which now features 3D Secure 2.0 as a default service.

TPV trends in the UAE and Jordan: domestic TPV (which represents spending from consumers domiciled in the region) increased 28% y/y, driven by a buoyant economic environment and strong consumer confidence. International TPV (which represents consumer spending by overseas visitors) grew 53% y/y, an ongoing reflection of the region as a highly attractive tourist destination.

Contribution[3] for the Merchant Services segment increased 31.6% to USD 80.0 million (H1 2022: USD 60.8 million). Contribution margin[1] was up 90bps to 71.9% (H1 2022: 71.0%), mainly a reflection of the strong revenue performance and a relatively fixed cost base, generating operating margin leverage.

| | y/y Merchant Services revenue and TPV growth | | |
|---|---|---|---|
| | **Q1** | **Q2** | **H1** |
| **Group Merchant Services revenue** | **21% (23% constant FX)** | **39% (43% constant FX)** | **30% (33% constant FX)** |
| **Group Merchant Services TPV** | **26% (27% constant FX)** | **37% (39% constant FX)** | **31% (33% constant FX)** |
| Group Offline TPV | 23%[4] | 39% | 31% |
| Group Online TPV (excl. Government) | 49%[4] | 57% | 54% |
| Group Key Enterprise TPV | 14% | 13% | 14% |
| Group SME TPV | 36% | 69% | 52% |

1. For constant FX definition, please refer to page 21. 2. TPV - Total Processed Volumes - the aggregate monetary volume of purchases processed by the Group within its Merchant Services business line. 3. This is an Alternative Performance Measure (APM). See notes 3 and 4 of the condensed consolidated interim financial statements for APMs definition and the reconciliations of reported figures to APMs. 4. Group online and offline Q1 TPV growth has been restated to account for a new acquiring partnership.



Classification - Public

### Outsourced Payment Services revenue

Outsourced Payment Services supports customers across two main business lines; i) Issuer processing, where Network supports payment credential issuing customers in enabling their consumers to 'make payments' by managing and processing their consumer payment credentials and transactions. This represents the majority of revenue in the business line. ii) Acquirer processing, where Network enables FIs, fintechs, and indirectly, their merchant customers, to 'take payments' from consumers. Outsourced Payment Services represents 53% of total Group revenue (H1 2022: 58%).

During the first half, revenue increased by 6.8% y/y to USD 126.0 million (H1 2022: USD 117.9 million), or 9.4% y/y in constant FX[1]. Revenue growth excluding our contract with our largest customer Emirates NBD Group, which has some contractual revenue growth caps, increased 9% y/y, or 12% in constant FX[1].

We saw good growth trends in both KPIs throughout the half, with transactions up 28.0% y/y and credentials hosted up 7.6% y/y, with growth momentum improving in Q2 vs. Q1. Whilst the performance is reflective of good trading across both regions, the Middle East delivered particularly strong growth, driven by core card hosting and transaction processing services across the portfolio, which more than offset slower trading in some parts of Africa given the tougher macro-economic conditions. The overall momentum in new business wins, cross-selling and expansion of existing client portfolios remains positive.

Contribution[1] for the Outsourced Payment Services segment increased 6.5% y/y, to USD 88.9 million (H1 2022: USD 83.5 million), with margins down slightly by (20)bps y/y to 70.6% (H1 2022: 70.8%), given the pace of revenue growth versus the overall group, on a relatively fixed cost base, where we are deploying resources to drive future business line expansion.

| | y/y Outsourced Payment Services revenue growth | | |
|---|---|---|---|
| | **Q1** | **Q2** | **H1** |
| **Outsourced Payment Services revenue** | **7% (10% constant FX)** | **6% (9% constant FX)** | **7% (9% constant FX)** |

### Other revenue, not allocated to an Operating Segment

The Group's other revenue of USD 1.9 million (H1 2022: USD 1.4 million) is mainly derived from cash advance fees on withdrawals from ATMs, foreign exchange gains/(losses) arising from the Merchant Services and Outsourced Payment Services business lines, and revenue recognised relating to the Mastercard strategic partnership.

1. For constant FX definition, please refer to page 21.



Classification - Public

## Revenue results by geography

### Middle East

The Group's largest geography is the Middle East, representing 72% of Group revenue in the period (H1 2022: 67%). Revenue increased 26.3% y/y to USD 172.5 million (H1 2022: USD 136.6 million), supported by particularly strong growth in our home market of the UAE. Growth in the Middle East was driven by strong volumes and transactions across both acquiring and processing, supported by relatively good economic conditions, resilient consumer confidence, tourism inflows and the business' competitive positioning.

### Africa

Revenue in Africa represented 28% of total revenue in the period (H1 2022: 33%) and was down (3.1)% y/y to USD 66.3 million (H1 2022: USD 68.5 million), or up 4.7% y/y in constant FX[1]. Revenue growth was relatively stronger in Q1, with growth slowing in Q2, where performance in North Africa was slightly weaker relative to the rest of the region, mainly due to tough macroeconomic conditions and an increased focus on pricing and service renewals from some financial institutions. This was mitigated by good growth across the Rest of Africa.

1. For constant FX definition, please refer to page 21.



Classification - Public

## Expenses and other line items

| | H1 2023 USD'000 Reported | Specially Disclosed Items | Underlying results[1] (A) | H1 2022 USD'000 Reported | Specially Disclosed Items | Underlying results[1] (B) | Change (A&B) |
|---|---|---|---|---|---|---|---|
| Salaries and allowances | **49,908** | **-** | **49,908** | **45,986** | **-** | **45,986** | 8.5% |
| Bonus and sales incentives | **7,915** | **-** | **7,915** | **6,119** | **-** | **6,119** | 29.3% |
| Share based compensation | **5,029** | **-** | **5,029** | **3,014** | **-** | **3,014** | 66.9% |
| Terminal and other benefits | **7,115** | **-** | **7,115** | **5,168** | **-** | **5,168** | 37.7% |
| **Total personnel expenses** | **69,967** | **-** | **69,967** | **60,287** | **-** | **60,287** | **16.1%** |
| Technology and communication costs | **33,579** | **-** | **33,579** | **32,975** | **-** | **32,975** | 1.8% |
| Third-party processing services costs | **15,004** | **-** | **15,004** | **11,714** | **-** | **11,714** | 28.1% |
| Legal and professional fees | **10,489** | **(481)** | **10,008** | **12,111** | **-** | **12,111** | (17.4)% |
| Provision for expected credit loss | **1,700** | **-** | **1,700** | **528** | **-** | **528** | 222.0% |
| Other general and administrative expenses | **15,023** | **-** | **15,023** | **11,201** | **-** | **11,201** | 34.1% |
| **Selling, operating and other expenses** | **75,795** | **(481)** | **75,314** | **68,529** | **-** | **68,529** | **9.9%** |
| **Depreciation and amortisation** | **35,642** | **(3,862)[2]** | **31,780** | **36,189** | **(5,264)[2]** | **30,925** | **2.8%** |
| **Net Interest expense** | **13,179** | **-** | **13,179** | **7,128** | **-** | **7,128** | **84.9%** |
| **Unrealised foreign exchange losses/(gains)** | **1,723** | **-** | **1,723** | **(2,191)** | **-** | **(2,191)** | **(178.6%)** |
| **Taxation** | **8,068** | **790[2]** | **8,858** | **5,263** | **790[2]** | **6,053** | **46.4%** |

1. This is an Alternative Performance Measure (APM). See note 3 and 4 of the condensed consolidated interim financial statements for APMs definition and the reconciliations of reported figures to APMs.
2. SDI relating to amortisation of acquired intangibles in the above table is shown at a gross level i.e. amortisation and its related tax impact are shown in their respective line items.



Classification - Public

**Expenses:** Total expenses (personnel expenses and selling, operating and other expenses) were USD 145.8 million (H1 2022: USD 128.8 million), with Specially Disclosed Items (SDIs) of USD 0.5 million (H1 2022: USD nil), mainly relating to legal and professional fees associated with the recommended cash acquisition of the Group. Underlying total expenses[1] grew 12.8% y/y, significantly lower than revenue growth, whilst simultaneously reflecting our ongoing investment in growth opportunities.

**Personnel expenses:** Personnel expenses totaled USD 70.0 million in the period (H1 2022: USD 60.3 million), with growth of 16.1% y/y driven by; i) disciplined expansion in headcount across both business lines to further accelerate revenue momentum; ii) inflation plus linked salary increases to retain talent; and iii) higher sales incentives which are reflective of the strong revenue performance.

**Selling, operating and other expenses:** Total selling, operating and other expenses were USD 75.8 million (H1 2022: USD 68.5 million), including SDIs of USD 0.5 million (H1 2022: USD nil). Underlying selling, operating and other expenses[1] grew 9.9% y/y to USD 75.3 million (H1 2022: USD 68.5 million), with growth mainly attributable to; i) investments in products and capabilities directly associated with the strong revenue growth across both business lines and; ii) costs relating to investments in new growth opportunities, including our market entry into the Kingdom of Saudi Arabia, and the launch of direct-to-merchant services in Egypt.

## Underlying EBITDA[1]

Underlying EBITDA[1] increased by 23.3% to USD 94.0 million (H1 2022: USD 76.2 million), with an underlying EBITDA margin[1] of 39.3%, up 210 bps y/y (H1 2022: 37.2%). The margin expansion reflects the Group's strong revenue performance and the delivery of cost efficiencies, whilst also investing in revenue generating opportunities, demonstrating the inherent operating leverage in our business.

The table below presents a reconciliation of the Group's reported profit to underlying EBITDA[1].

| | H1 2023<br>USD'000 | H1 2022<br>USD'000 |
|---|---|---|
| **Profit for the period** | **34,916** | **31,997** |
| Depreciation and amortisation | 35,642 | 36,189 |
| Net interest expense | 13,179 | 7,128 |
| Unrealised foreign exchange losses / (gains) | 1,723 | (2,191) |
| Gain on sale of subsidiary | - | (2,170) |
| Taxation | 8,068 | 5,263 |
| Specially disclosed items affecting EBITDA | 481 | - |
| **Underlying EBITDA[1]** | **94,009** | **76,216** |

## Depreciation and amortisation

The Group's total depreciation and amortisation (D&A) charge was USD 35.6 million (H1 2022: USD 36.2 million). Lower y/y mainly due to a lower charge for amortization on acquired intangibles (shown as SDIs) of USD 3.9 million (H1 2022: USD 5.3 million). The Group's underlying D&A[1] increased by 2.8% to USD 31.8 million (H1 2022: USD 30.9 million).

1. This is an Alternative Performance Measure (APM). See note 3 and 4 of the condensed consolidated interim financial statements for APMs definition and the reconciliations of reported figures to APMs.



Classification - Public

## Net interest expense

The Group's net interest expense increased by USD 6.1 million y/y to USD 13.2 million (H1 2022: USD 7.1 million), mainly due to a higher effective interest rate on the term loan facility of 6.8% in H1 2023 versus 2.6% in the prior year.

| | H1 2023 USD'000 | H1 2022 USD'000 | Comments |
|---|---|---|---|
| **Interest Expense on:** | | | |
| Term loan facilities* | **11,268** | 5,055 | Largely represents interest and other fees. Average balance in H1 2023: USD 318.8m. Average interest rate of 6.8% for the period. Average balance in H1 2022: USD 356.2m, Average interest rate of 2.6%. |
| Revolving credit facility | - | 208 | RCF outstanding balance was fully repaid during Q1-2022. |
| Bank overdrafts | **1,446** | 660 | Relates to interest and commitment fees on overdraft facilities for settlement related working capital. |
| Debt issuance amortisation | **787** | 884 | Amortisation of debt issuance costs associated with the term loan and revolving credit facility. |
| Other Interest expense | **786** | 1,059 | Relates to interest charges on lease liabilities arising from the recognition of right of use assets. |
| Interest income | **(1,108)** | (738) | Relates to interest income on bank deposits. |
| **Net interest expense** | **13,179** | **7,128** | |

* Includes DPO term loan facility

## Unrealised foreign exchange (losses) / gains

Unrealised net foreign exchange (losses) / gains primarily relate to the Group's foreign currency denominated assets and liabilities. During the half, these totaled USD (1.7) million (H1 2022: USD 2.2 million) mainly due to the depreciation of local currencies in African countries, including Egypt and Nigeria.

## Taxation

The Group's total tax charge during the period was USD 8.1 million (H1 2022: USD 5.3 million) which includes a SDI of USD 0.8 million (H1 2022: 0.8 million), mainly relating to taxes on acquired intangibles. The underlying effective tax rate was 18.7% (H1 2022: 14.9%), an increase versus the prior period mainly due to; i) higher income in Nigeria, where higher tax rates are applicable and; ii) overall higher taxable profits across the Group.

## Profit for the period, underlying net income[1], reported and underlying EPS[1]

Profit for the period totaled USD 34.9 million (H1 2022: USD 32.0 million). Underlying net income[1] increased by 12.2% to USD 38.5 million (H1 2022: USD 34.3 million). The table below presents a reconciliation of the profit for the period to underlying net income[1].

| | H1 2023 USD'000 | H1 2022 USD'000 |
|---|---|---|
| **Profit for the period** | **34,916** | **31,997** |
| Gain on disposal of a subsidiary (Mercury) | **-** | (2,170) |
| Specially disclosed items affecting EBITDA | 481 | - |
| Specially Disclosed Items affecting net income | 3,072 | 4,474 |
| **Underlying net income[1]** | **38,469** | **34,301** |

1. This is an Alternative Performance Measure (APM). See note 3 and 4 of the condensed consolidated interim financial statements for APMs definition and the reconciliations of reported figures to APMs.



Classification - Public

Reported basic earnings per share for the period totaled USD 6.4 cents (H1 2022: 5.8 USD cents) and underlying basic Earnings Per Share (EPS)[1] increased by 14.5% to 7.1 USD cents (H1 2022: 6.2 USD cents). The share count decreased to 531,292,516 shares in the period (H1 2022: 555,360,875 shares) mainly due to the cancellation of 23,353,097 shares which were repurchased during the period.

| | H1 2023 USD'000 | H1 2022 USD'000 |
|---|---|---|
| **Underlying net income[1] (USD'000)** | **38,469** | **34,301** |
| Non-controlling interest (USD'000) | (719) | 64 |
| Underlying net income – attributable to equity holders (USD'000) | **37,750** | **34,365** |
| Weighted average number of shares ('000) | **531,293** | **555,361** |
| **Underlying basic earnings per share[1] (USD cents)** | **7.1** | **6.2** |

### Specially Disclosed items (SDIs)[1]

SDIs are items of income or expenses that have been recognised in a given period which management believes, due to their materiality and being one-off/exceptional in nature, should be disclosed separately to give a more comparable view of period-to-period underlying financial performance. SDIs reduced significantly in the period, in line with expectations.

SDIs affecting EBITDA during the first half totaled USD 0.5 million (H1 2022: nil), mainly due to transaction costs associated with the recommended cash acquisition of the Group.

SDIs affecting net income totaled USD 3.1 million (H1 2022: USD 4.5 million), due to the amortisation of acquired intangibles (net of deferred tax impacts) associated with the acquisition of Emerging Market Payments Services in 2016 and DPO in 2021. This decrease reflects the lower amortisation charge during the period relating to the acquisition of EMP, which has now been fully amortised.

| | H1 2023 USD'000 (A) | H1 2022 USD'000 (B) | Change (A&B) |
|---|---|---|---|
| **Items affecting EBITDA** | | | |
| Recommended cash acquisition related costs | 481 | - | 100% |
| **Total SDIs affecting EBITDA** | **481** | **-** | 100% |
| | | | |
| **Items affecting Net Income** | | | |
| Amortisation and tax on acquired intangibles* | 3,072 | 4,474 | (31.3)% |
| **Total SDIs affecting net income** | **3,072** | **4,474** | (31.3)% |
| **Total Specially Disclosed Items** | **3,553** | **4,474** | (20.6)% |

* Amortisation charge of USD 3.9 million on the intangible assets recognised in the Group's consolidated statement of financial position from the acquisition of Emerging Market Payments Services in 2016 and DPO Group in 2021, net of a tax related impact of USD (0.8) million from the acquisition of DPO.

1. This is an Alternative Performance Measure (APM). See note 3 and 4 of the condensed consolidated interim financial statements for APMs definition and the reconciliations of reported figures to APMs.



Classification - Public

### Cash flow

The Group's net cash flow from operating activities was USD 107.2 million (H1 2022: USD 90.6 million), an increase of USD 16.6 million y/y, mainly due to the Group's strong underlying business performance, reflecting higher underlying EBITDA[1] which increased by USD 17.8 million y/y.

Net cash outflows from investing activities was USD (28.4) million (H1 2022: USD (30.7) million), slightly lower y/y, where lower capital expenditure payments of USD (6.2) million y/y were largely offset by a USD 4.3 million one-off proceed from the sale of subsidiary Mercury in H1 2022.

Net cash movement from financing activities was USD (95.9) million (H1 2022: USD (75.4) million), mainly reflecting: i) cash outflows of USD (54.2) million for the share buyback programme and; ii) a scheduled repayment of the syndicated loan facility of USD (37.5) million. The outflow repayment in H1 2022 included the repayment of the revolving credit facility (USD 35 million) which offset the outflow of the share buyback programme.

| | H1 2023 USD'000 | H1 2022 USD'000 | Change |
|---|---|---|---|
| **Net cash movement from operating activities** | **107,199** | **90,604** | **18%** |
| **Net cash movement from investing activities** | **(28,450)** | **(30,673)** | **7%** |
| **Net cash movement from financing activities** | **(95,870)** | **(75,423)** | **(27)%** |

### Share buyback programme

On 11 August 2022 we announced the intention to complete a USD 100 million share buyback program (the "Initial Program"). Given the business' strong cash generation and leverage position below the 1-2x average target range, the buyback programme was an opportunity to return excess capital to shareholders whilst maintaining future flexibility to invest in accelerating growth.

The Initial Program for the buyback of shares up to an aggregate purchase price of USD 50 million was completed on 27th January 2023. The Group initiated a second tranche of the programme for the buyback of a further USD 50 million worth of shares following the completion of the Initial Programme. As announced on 9 June 2023, the second tranche of the Buyback Programme was cancelled, having purchased an aggregate value of USD 44 million of shares. Overall, the Group purchased a total of 28,353,097 ordinary shares, returning a total of USD 94 million to shareholders through the share buyback programme.

1. This is an Alternative Performance Measure (APM). See note 3 and 4 of the condensed consolidated interim financial statements for APMs definition and the reconciliations of reported figures to APMs.



Classification - Public

## Underlying free cash flow[1]

Underlying Free Cash Flow[1] (underlying FCF) increased 63.5% y/y to USD 65.4 million (H1 2022: USD 40.0 million), driven by higher underlying EBITDA[1] and the positive impact of changes in working capital before settlement related balances.

| | H1 2023 USD'000 | H1 2022 USD'000 | Change |
|---|---|---|---|
| **Profit for the period** | **34,916** | **31,997** | **9%** |
| Depreciation and amortisation | 35,642 | 36,189 | (2)% |
| Net interest expense | 13,179 | 7,128 | 85% |
| Unrealised foreign exchange (gains) / losses | 1,723 | (2,191) | (179)% |
| Taxation | 8,068 | 5,263 | 53% |
| Gain on disposal of a subsidiary | - | (2,170) | (100)% |
| Specially disclosed Items affecting EBITDA | 481 | - | - |
| **Underlying EBITDA[1]** | **94,009** | **76,216** | **23%** |
| Changes in working capital before settlement related balances | 4,284 | (8,558) | (150)% |
| Taxes paid | (7,845) | (3,520) | 123% |
| Total capital expenditure | (24,603) | (24,163) | 2% |
| Specially disclosed Items affecting EBITDA | (481) | - | - |
| **Underlying free cash flow[1]** | **65,364** | **39,975** | **64%** |
| **Underlying free cash flow conversion** | **70%** | **52%** | **18%** |

## Reconciliation of cash flows from operating activities to underlying free cash flow

| | H1 2023 USD'000 | H1 2022 USD'000 | Change |
|---|---|---|---|
| **Net cash inflows from operating activities** | **107,199** | **90,604** | **18%** |
| Changes in scheme debtors and merchant creditors, long term receivables and other liabilities | (17,808) | (33,582) | (47)% |
| Charge for share-based payment | (5,036) | (3,014) | 67% |
| Interest Paid | 7,312 | 7,064 | 4% |
| Others* | (1,700) | 3,066 | (155)% |
| **Underlying free cash flow before capital expenditure** | **89,967** | **64,138** | **40%** |
| Total capital expenditure | (24,603) | (24,163) | 2% |
| **Underlying free cash flow[1]** | **65,364** | **39,975** | **64%** |

* Others include provision for expected credit losses and foreign exchange gains and losses

1. This is an Alternative Performance Measure (APM). See note 3 and 4 of the condensed consolidated interim financial statements for APMs definition and the reconciliations of reported figures to APMs.



Classification - Public

### Capital expenditure

| | H1 2023 USD'000 | H1 2022 USD'000 | Change |
|---|---|---|---|
| **Total capital expenditure** | **24,603** | **24,163** | **2%** |
| **Core capital expenditure:** | **24,233** | **22,236** | **9%** |
| of which is maintenance capital expenditure[1] | 4,276 | 6,911 | (38)% |
| of which is growth capital expenditure[1] | 19,957 | 15,325 | 30% |
| **Kingdom of Saudi Arabia market entry** | **370** | **1,548** | **(76)%** |
| **Separation of shared services from Emirates NBD** | **-** | **379** | **(100)%** |

Maintenance capital expenditure relates to spending on additions or improvements to the existing operations of the Group. Maintenance capital expenditure totaled USD 4.3 million in the period (H1 2022: USD 6.9 million), a reduction versus the prior period mainly due to disciplined investment and the delayed timing in some expenditure which we expect to incur in the second half of the year.

Growth capital expenditure relates to spends that are associated with delivering revenue growth, including but not limited to the onboarding of new customers, expansion of services with existing customers or the development of new product offerings. Growth capital expenditure totaled USD 20.0 million in the first half (H1 2022: USD 15.3 million), with the increase relating to; i) investment in new POS terminals to support the record SME client wins and; ii) investment in enhancing our product capabilities, including the onboarding of new financial institution customers in Outsourced Payment Services.

### Reconciliation of capital expenditure to capital spend in the consolidated cash flows

| | H1 2023 USD'000 | H1 2022 USD'000 | Change |
|---|---|---|---|
| **Total capital expenditure** | **24,603** | **24,163** | **2%** |
| Goods/services received in the current period, but yet to be paid | (789) | (1,754) | (55)% |
| Goods/services received in prior period, and paid in the current period | 5,744 | 13,300 | (57)% |
| **Total capital expenditure spend (as per condensed consolidated interim statement of cash flows)** | **29,558** | **35,709** | **(17)%** |

1. This is an Alternative Performance Measure (APM). See note 3 and 4 of the condensed consolidated interim financial statements for APMs definition and the reconciliations of reported figures to APMs.



Classification - Public

## Working capital

| | H1 2023 USD'000 | Dec 2022 USD'000 | Cash inflow/ (outflow) USD'000 |
|---|---|---|---|
| **Scheme debtors** | **723,884** | **336,728** | **(387,156)** |
| **Merchant creditors** | **(678,301)** | **(285,791)** | **392,510** |
| **Restricted cash** | **119,289** | **119,357** | **68** |
| **Settlement related working capital balances** | **164,872** | **170,294** | **5,422** |

The Group's working capital requirements are broadly classified into the following two categories:

**Settlement related working capital**

Movements in settlement related working capital balances are linked to the direct-to-merchant business line funding cycle and represent those from the UAE and Jordan; and those from Africa (DPO). During the period, net settlement balances declined when compared to the 2022 year end and there was a cash inflow of USD 5.4 million.

**Scheme debtors and merchant creditors:** Merchant creditor and scheme debtor balances generally reflect TPV processed in the direct-to-merchant business line in the immediately preceding days before the period end, as well as a number of other factors that can include the day of the week and the mix of domestic and international volumes.

**In the UAE and Jordan,** which represents the majority of the balances: merchants generally receive funds before Network obtains settlement from the card schemes and financial institutions, resulting in larger scheme debtor balances when compared to merchant creditor balances. The majority of merchants receive settlement on a T+1 basis following a consumer transaction.

At the end of H1 2023, due to an extended Eid al-Adha holiday in the UAE and Jordan, no payments were remitted to merchants in the final days of the period, leading to a buildup of merchant payable balances equivalent to circa five days of TPV, much higher compared to the balance at end of December 2022 when merchant settlements occurred as usual.
Network usually receives funds from the payment schemes on a T+2/3 basis, and from financial institutions on a T+1 basis. At the end of H1 2023, due to the extended Eid al-Adha holiday, settlement balances broadly led to a circa 6/7 days of outstanding collections due from schemes and financial institutions.

The increase in scheme debtors was offset by an increase in merchant payable balance, mainly accounting for most of the USD 5.4 million cash inflow in settlement balances.

**In Africa (DPO),** payments to merchants are made after DPO has received settlement from banks and mobile network operators and results in larger merchant creditor balances when compared to scheme debtor balances.

As at the end of June 2023, the merchant creditor balance reduced mainly due to the bi-monthly airline settlements which were processed on 30 June compared to the 2022 year-end, where settlements were processed on the first working day of January. Scheme Debtor balances increased from December 2022 due to a seasonal increase in volumes processed towards the end of June 2023.

**Restricted cash:** Restricted cash represents balances specifically due to merchants.

**In the UAE and Jordan,** restricted cash represents; i) cash held as a form of collateral to manage the risk of merchant chargebacks, and; ii) cash balances collected from card schemes/financial institutions but not settled to merchants.



Classification - Public

**In Africa (DPO)**, restricted cash largely represents cash balances already received from banks and mobile network operators, but not yet remitted to merchants.

The overall movement in restricted cash balance is on account of higher balances in the UAE and Jordan, partially offset by the lower balance at DPO, which is reflective of usual settlement patterns.

**Other working capital balances**

This represents the amount of capital used by the Group to fund its day-to-day trading operations, outside of the direct acquiring business. The working capital before settlement related balances of USD 6.5 million is 2.7% of the Group revenue. The overall y/y change of USD 4.3 million in working capital balance is mainly due to i) an unusually low payable balance at the end of 2022, linked to lower unpaid expenses and unearned revenue balances, as previously disclosed and ii) higher prepayments, as most annual prepayments are made in the first half of the year.

'Other movements' of c USD 23 million largely reflect a reduction adjustment to the payable balance. The payable balance at the period end was elevated due to a delay in payment to a third party, as a result of the migration to a new ERP system. The payable balance has therefore been reduced appropriately within the 'other movements' line.

| | H1 2023 USD'000 | Dec 2022 USD'000 | Change USD'000 |
|---|---|---|---|
| **Trade receivables & chargeback receivables** (Net of provisions for expected credit loss) | 79,650 | 77,301 | (2,349) |
| **Prepayments and other receivables** | 25,198 | 18,071 | (7,127) |
| **Trade, other payables and income tax payables** | (160,919) | (127,943) | 32,976 |
| **Total** | **(56,071)** | **(32,571)** | **23,500** |
| **Items excluded*:** | | | |
| Capital expenditure accrual | 9,423 | 14,378 | 4,955 |
| Lease liabilities - current portion | 2,076 | 4,262 | 2,186 |
| Interest payable | 5,535 | 223 | (5,312) |
| Charge for expected credit losses | 1,700 | 2,922 | 1,222 |
| Tax liabilities | 21,174 | 20,469 | (705) |
| Other movements | 22,684 | 1,122 | (21,562) |
| **Working capital changes** | **6,521** | **10,805** | **4,284** |

* These items are excluded as these are either shown separately in the condensed consolidated statement of cash flows are non-cash in nature.



Classification - Public

## Debt

The Group's total debt, including current borrowings, amounted to USD 403.7 million (2022: USD 500.6 million).

| | H1 2023 USD'000 | Dec 2022 USD'000 | Change |
|---|---|---|---|
| Syndicated term loan | | | |
| Principal Outstanding | 300,000 | 337,500 | (11)% |
| Unamortised debt issuance cost | (2,728) | (3,515) | (22)% |
| **Net amount included in borrowings** | **297,272** | **333,985** | (11)% |
| Bank overdraft (for working capital) | 99,783 | 159,287 | (37)% |
| Other term loan – from Business Combination | 6,653 | 7,365 | (10)% |
| **Total** | **403,708** | **500,637** | (19)% |
| Non-current borrowings | 228,226 | 265,291 | (14)% |
| Current borrowings | 175,482 | 235,346 | (25)% |
| **Total** | **403,708** | **500,637** | (19)% |

The long-term syndicated loan facility is utilised to increase the Group's liquidity, fund inorganic growth opportunities and other accelerator projects, as well as for general corporate purposes. The original facility was for USD 525 million, of which USD 375 million was drawn in March 2020. We have since made a scheduled repayment of USD 37.5 million in 2022, USD 37.5 million in H1 2023 and expect to make a further repayment of USD 37.5 million during the remainder of 2023. By the end of 2023 we will have repaid 30% of the drawn balance. The repayment schedule is set at 20% each year during 2024 and 2025, with the remaining balance of 30% to be paid in full in March 2026.

Our leverage ratio[1], which represents net debt[1] to underlying EBITDA[1], is calculated as per the methodology provided in the financing facility agreement with the lending banks. Under these agreements net debt excludes; a) the overdraft facilities which are mainly used to facilitate settlement related working capital balances and; b) restricted cash balances. EBITDA is measured on an underlying basis over the last twelve-month period. Financial covenants limits are set at 3.5x net debt: underlying EBITDA[1].

## Leverage Ratio[1]

| | H1 2023 USD'000 | Dec 2022 USD'000 |
|---|---|---|
| Net debt | **126,269** | 118,683 |
| Underlying EBITDA[1,2] | **196,397** | 178,603 |
| **Leverage ratio** | **0.6** | **0.7** |

1. This is an Alternative Performance Measure (APM). See note 3 and 4 of the condensed consolidated interim financial statements for APMs definition and the reconciliations of reported figures to APMs.
2. Underlying EBITDA for leverage ratio computation is for the last twelve-month period.



Classification - Public

The table below provides the reconciliation of net debt as per the condensed consolidated interim financial statements and methodology prescribed in the financing agreement.

| **Particulars** | **H1 2023 USD'000** | **Dec 2022 USD'000** |
|---|---|---|
| Non-current borrowings | **228,226** | 265,291 |
| Current borrowings | **175,482** | 235,346 |
| Cash balance | **(149,979)** | (234,402) |
| | **253,729** | 266,235 |
| Less: Working capital facility overdraft | **(99,783)** | (159,287) |
| Add: Unamortised debt issuance cost | **2,728** | 3,515 |
| Other adjustments* | **(30,405)** | 8,220 |
| **Net debt as per the financing facility agreement** | **126,269** | 118,683 |

* Other adjustments mainly include adjustment for any temporary end of day excess/short drawdown position of the working capital facility.

The table below reconciles the movement in net debt through the period:

| **Net Debt Movement** | **H1 2023 USD'000** | **Dec 2022 USD'000** |
|---|---|---|
| Opening balance | **118,683** | **127,724** |
| Repayment of borrowings | | |
| Term loan | (37,500) | (37,500) |
| Revolving credit facility | - | (35,000) |
| ATM lease liabilities | - | (191) |
| Other bank loans | (712) | (1,389) |
| Cash balances | 84,423 | 35,943 |
| Cash balances of held for sale entity (70%) | - | 1,833 |
| Others* | (38,625) | 27,263 |
| **Closing balance** | **126,269** | **118,683** |

* Others includes changes in the adjustment for any temporary end of day excess/short drawdown position of the working capital facility.



Classification - Public

## Definitions

### Constant FX Revenue

Constant FX Revenue is current period revenue recalculated by applying the average exchange rate of the prior period to enable comparability with the prior period revenue. Foreign currency revenue is primarily denominated in Egyptian Pound (EGP). The other non-US pegged currencies that have an impact on the Group as a result of foreign operations in South Africa, Ghana and Kenya are the South African Rand (ZAR), Ghanaian Cedi (GHS) and Kenyan Shilling (KES), respectively. The table shows the average rate of these currencies per USD for the six-month period ended 30 June 2023 and 2022.

| Currency revenue percentage | H1 2023 | H1 2022 |
|---|---|---|
| USD / USD pegged | **88.3%** | **85.9%** |
| Egyptian Pound (EGP) | **1.6%** | **2.8%** |
| South African Rand (ZAR) | **6.2%** | **7.2%** |
| Ghanaian Cedi (GHS) | **2.3%** | **2.5%** |
| Kenyan Shilling (KES) | **0.9%** | **1.2%** |
| Others | **0.7%** | **0.4%** |

| Currency rate vs USD | H1 2023 Average rate | H1 2022 Average rate |
|---|---|---|
| Egyptian Pound (EGP) | **30.7** | **17.7** |
| South African Rand (ZAR) | **18.2** | **15.4** |
| Ghanaian Cedi (GHS) | **12.3** | **6.9** |
| Nigerian Naira (NGN) | **511.2** | **417.6** |
| Kenyan Shilling (KES) | **117.1** | **115.0** |

### Key Performance Indicators

To assist in comparing the Group's financial performance from period-to-period, the Group uses certain key performance indicators, which are defined as follows.

**Total Processed Volume (TPV)**

TPV is defined as the aggregate monetary volume of purchases processed by the Group within its Merchant Services business line.

**Number of credentials hosted**

Number of credentials hosted is defined as the aggregate number of consumers' payment credentials managed and billed by the Group within its Outsourced Payment Services business line.

**Number of transactions**

Number of transactions is defined as the aggregate number of transactions processed and billed by the Group within its Outsourced Payment Services business line.



Classification - Public

## Principal Risks and Uncertainties

The following section contains information about the Group's principal risks, and mitigation strategies.

| Principal risk and description | Update on Mitigation Actions |
|---|---|
| **Cyber Security**<br>Risk of breach of the Group's infrastructure resulting in the compromise of data or service disruption through cyber security breaches. | › A single security operations centre (SOC) has been appointed for coverage across all jurisdictions except where a separate provider is required as per local regulations.<br><br>› Identity Access Management lifecycle automation continues to expand across the Group as per plan.<br><br>› Consolidation of tools and platforms under one unit has reduced cost and driven greater insight into the protective controls deployed in the Group. |
| **Operational Resiliency**<br>Risk of interruption to critical production services and inability to execute operational processes and deliver on contractual obligations due to operational inefficiencies and discontinuity, defects, errors and delays, which could damage customer relations, decrease potential profitability and expose the Group to liability. | › We have successfully upgraded our switch system with the latest hardware security modules (HSM) that meet PCI compliance standards.<br><br>› The authorisation switch system upgrade was successfully completed in GCC.<br><br>› The way our customers connect to us has been simplified and made more resilient through improvements in our API gateway.<br><br>› We have initiated a project in Africa for enabling high availability on our Network Lite platform.<br><br>› We continue to optimise existing automation solutions through re-engineering and re-design of operational processes to deliver more efficiencies across all regions. |
| **Execution Risk**<br>Risk of the Group's ability to maintain its position as the best payments partner in the Middle East and Africa. Our ambitious growth and expansion plans could be compromised if we are not able to deliver key strategic projects within expected deadlines. | › We have made advancements in our technology platforms such as APIs, self-onboarding, and self-service portals, to make it easier for our customers to do business with us.<br><br>› We have continued the expansion of our product suite and value-added services to client banks and merchants, with strategic focus on merchants in the e-commerce, enterprise and SME segments. |



Classification - Public

| | |
|---|---|
| **Compliance Risk**<br>Failure or inability to comply with relevant laws, regulations, scheme rules and mandatory reporting requirements including failure to identify, monitor and respond to changing regulations or scheme rules. | › We continue to focus on strengthening compliance capabilities in the Group's regulated markets by appointing local compliance officers, streamlining compliance policies and procedures, automation of monitoring processes and conducting assurance reviews.<br><br>› We continue to monitor any changes in regulatory requirements across markets. |
| **Third Party**<br>Risk of the Group's dependencies on various third parties to provide core systems, technologies, infrastructure, product and service-related support which may increase the Group's risk exposure in the event of a material service disruption, delay or cyber-attack with no alternative arrangements.<br>Also, risk of failure of third parties to comply with contractual obligations, applicable laws and international standards. | › We continue to strengthen our third-party risk management processes across the Group, and we are digitising the vendor lifecycle management process.<br><br>› We are developing a supplier engagement strategy for emissions management. |



Classification - Public

**Directors' responsibility statement**

We confirm that to the best of our knowledge:

The condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted for use in the UK.

The interim management report includes a fair review of the information required by:

(a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

(b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By Order of the Board,

| | |
|---|---|
| Nandan Mer | Rohit Malhotra |
| Chief Executive Officer | Chief Financial Officer |
| 9 August 2023 | 9 August 2023 |



Classification - Public

# Condensed Consolidated Interim Financial Statements

## Condensed consolidated statement of profit or loss

| | Notes | Six months ended 30 June (Unaudited) 2023 USD'000 | 2022 USD'000 |
|---|---|---|---|
| **Revenue** | *5* | **239,290** | **205,032** |
| Personnel expenses | *6* | (69,967) | (60,287) |
| Selling, operating and other expenses | *7* | (75,795) | (68,529) |
| Depreciation and amortisation | | (35,642) | (36,189) |
| **Profit before interest, tax and gain on disposal of a subsidiary** | | **57,886** | **40,027** |
| Net interest expense | *8* | (13,179) | (7,128) |
| Unrealised foreign exchange (losses) / gains | | (1,723) | 2,191 |
| Gain on disposal of a subsidiary | | - | 2,170 |
| **Profit before tax** | | **42,984** | **37,260** |
| Taxation | *9* | (8,068) | (5,263) |
| **Profit for the period** | | **34,916** | **31,997** |
| **Attributable to:** | | | |
| Equity holders of the Group | | 34,197 | 32,061 |
| Non-controlling interest | | 719 | (64) |
| **Profit for the period** | | **34,916** | **31,997** |
| | | | |
| Basic earnings per share in USD cents | *19* | 6.4 | 5.8 |
| Diluted earnings per share in USD cents | *19* | 6.3 | 5.7 |

Notes 1 to 21 form part of these condensed consolidated interim financial statements.



Classification - Public

## Condensed consolidated statement of comprehensive income

| | Six months ended 30 June (Unaudited) | |
|---|---|---|
| | 2023 | 2022 |
| | USD'000 | USD'000 |
| **Profit for the period** | **34,916** | **31,997** |
| | | |
| **Other comprehensive (loss)** | | |
| **Items that may subsequently be reclassified to profit or loss:** | | |
| Foreign currency translation difference on foreign operations | (11,389) | (6,495) |
| **Net change in other comprehensive loss** | **(11,389)** | **(6,495)** |
| | | |
| **Total comprehensive income for the period** | **23,527** | **25,502** |
| | | |
| **Attributable to:** | | |
| Equity holders of the Group | 22,808 | 25,566 |
| Non-controlling interest | 719 | (64) |
| **Total comprehensive income for the period** | **23,527** | **25,502** |

Notes 1 to 21 form part of these condensed consolidated interim financial statements.



Classification - Public

## Condensed consolidated statement of financial position

| | Notes | (Unaudited) 30 June 2023 USD'000 | 31 December 2022 USD'000 |
|---|---|---|---|
| **Assets** | | | |
| *Non-current assets* | | | |
| Goodwill | *10* | 495,464 | 495,782 |
| Intangible assets | | 218,708 | 229,216 |
| Property and equipment | | 63,940 | 58,148 |
| Investment securities | | 246 | 246 |
| Long term receivables | | 624 | 333 |
| Deferred tax assets | | 8,546 | 9,184 |
| **Total non-current assets** | | **787,528** | **792,909** |
| *Current assets* | | | |
| Scheme debtors | *11* | 723,884 | 336,728 |
| Receivables and prepayments | *13* | 104,848 | 95,372 |
| Cash and cash equivalents (restricted) | *11,12* | 119,289 | 119,357 |
| Cash and cash equivalents (un-restricted) | *12* | 149,979 | 234,402 |
| **Total current assets** | | **1,098,000** | **785,859** |
| **Total assets** | | **1,885,528** | **1,578,768** |
| **Liabilities** | | | |
| *Non-current liabilities* | | | |
| Borrowings | *16* | 228,226 | 265,291 |
| Other long-term liabilities | | 24,563 | 18,520 |
| Deferred tax liabilities | | 17,674 | 18,195 |
| **Total non-current liabilities** | | **270,463** | **302,006** |
| *Current liabilities* | | | |
| Merchant creditors | *11* | 678,301 | 285,791 |
| Trade and other payables | *15* | 152,598 | 122,711 |
| Income tax payable | | 8,320 | 5,232 |
| Borrowings | *16* | 175,482 | 235,346 |
| **Total current liabilities** | | **1,014,701** | **649,080** |
| **Shareholders' equity** | | | |
| Share capital | *17* | 70,036 | 73,077 |
| Share premium | *17* | 175,048 | 252,279 |
| Treasury shares | *17* | (16,240) | (40,631) |
| Share merger reserve | *17* | 52,971 | 52,971 |
| Foreign exchange reserve | *17* | (47,890) | (36,501) |
| Reorganisation and other reserves | *17* | (1,541,025) | (1,544,066) |
| Retained earnings | | 1,906,907 | 1,870,715 |
| **Equity attributable to equity holders** | | **599,807** | **627,844** |
| **Non-controlling interest** | | **557** | **(162)** |
| **Total shareholders' equity** | | **600,364** | **627,682** |
| **Total liabilities and shareholders' equity** | | **1,885,528** | **1,578,768** |

Notes 1 to 21 form part of these condensed consolidated interim financial statements.

Nandan Mer
Chief Executive Officer

Rohit Malhotra
Chief Financial Officer



Classification - Public

## Condensed consolidated statement of changes in equity

For the six months ended 30 June 2023
(Unaudited)

| | Share capital | Share Premium | Treasury shares | Share merger reserve | Foreign exchange reserve | Reorganisation reserve | Other reserves | Capital redemption reserve | Retained earnings | Equity attributable to equity holders | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | USD'000 | | | |
| **As at 1 January 2023** | **73,077** | **252,279** | **(40,631)** | **52,971** | **(36,501)** | **(1,552,365)** | **8,299** | **-** | **1,870,715** | **627,844** | **(162)** | **627,682** |
| **Total comprehensive income / (loss) for the period** | | | | | | | | | | | | |
| Profit for the period | - | - | - | - | - | - | - | - | 34,197 | **34,197** | 719 | **34,916** |
| **Other comprehensive loss for the period:** | | | | | | | | | | | | |
| Foreign currency translation differences | - | - | - | - | (11,389) | - | - | - | - | **(11,389)** | - | **(11,389)** |
| **Total other comprehensive loss for the period** | - | - | - | - | (11,389) | - | - | - | - | **(11,389)** | - | **(11,389)** |
| **Total comprehensive income / (loss) for the period** | - | - | - | - | (11,389) | - | - | - | 34,197 | **22,808** | 719 | **23,527** |
| Purchase of treasury shares | - | - | (54,239) | - | - | - | - | - | - | **(54,239)** | - | **(54,239)** |
| Related transaction cost | - | - | (1,642) | | | | | - | - | **(1,642)** | | **(1,642)** |
| Creation of capital redemption reserve | - | - | - | | | | | 3,041 | (3,041) | **-** | | **-** |
| Cancellation of treasury shares | (3,041) | (77,231) | 80,272 | - | - | - | - | - | - | **-** | - | **-** |
| Share-based payment reserve (LTIP) | - | - | - | - | - | - | - | - | 5,036 | **5,036** | - | **5,036** |
| **As at 30 June 2023** | **70,036** | **175,048** | **(16,240)** | **52,971** | **(47,890)** | **(1,552,365)** | **8,299** | **3,041** | **1,906,907** | **599,807** | **557** | **600,364** |

Notes 1 to 21 form part of these condensed consolidated interim financial statements.

## Condensed consolidated statement of changes in equity

| | Share capital | Share Premium | Share merger reserve | Foreign exchange reserve | Reorganisation reserve | Other reserves | Retained earnings | Equity attributable to equity holders | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|
| **As at 1 January 2022** | 73,077 | 252,279 | 52,971 | (19,693) | (1,552,365) | 4,976 | 1,802,501 | **613,746** | (1,333) | **612,413** |
| **Total comprehensive income / (loss) for the period** | | | | | | | | | | |
| Profit / (loss) for the period | - | - | - | - | - | - | 32,061 | **32,061** | (64) | **31,997** |
| **Other comprehensive loss for the period:** | | | | | | | | | | |
| Foreign currency translation differences | **-** | **-** | **-** | (6,495) | - | - | - | **(6,495)** | - | **(6,495)** |
| **Total other comprehensive loss for the period** | **-** | **-** | **-** | (6,495) | - | - | - | **(6,495)** | - | **(6,495)** |
| **Total comprehensive income / (loss) for the period** | **-** | **-** | **-** | (6,495) | - | - | 32,061 | **25,566** | (64) | **25,502** |
| Purchase of treasury shares | **-** | **-** | **-** | - | - | - | (16,889) | **(16,889)** | - | **(16,889)** |
| Share-based payment reserve (LTIP) | **-** | **-** | **-** | - | - | - | 3,014 | **3,014** | - | **3,014** |
| Disposal of NCI | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | 1,197 | **1,197** |
| **As at 30 June 2022** | 73,077 | 252,279 | 52,971 | (26,188) | (1,552,365) | 4,976 | 1,820,687 | **625,437** | (200) | **625,237** |

Notes 1 to 21 form part of these condensed consolidated interim financial statements.

## Condensed consolidated statement of cash flows

| | Notes | Six months ended 30 June (Unaudited) 2023 USD'000 | 2022 USD'000 |
|---|---|---|---|
| **Operating activities** | | | |
| Profit for the period from operations | | 34,916 | 31,997 |
| **Adjustments for:** | | | |
| Depreciation and amortisation | | 35,642 | 36,189 |
| Provision for expected credit losses | | 1,700 | 528 |
| Net Interest expense | *8* | 13,179 | 7,128 |
| Taxation | *9* | 8,068 | 5,263 |
| Unrealised Foreign exchange losses/ (gains) | | 1,723 | (5,785) |
| Gain on disposal of a subsidiary | | - | (2,170) |
| Charge for share-based payment | *18* | 5,036 | 3,014 |
| Interest paid | | (7,312) | (7,064) |
| Taxes paid | | (7,845) | (3,520) |
| **Net cash inflows before working capital balances** | | **85,107** | **65,580** |
| Changes in scheme debtors | *11* | (387,156) | 152,704 |
| Changes in merchant creditors | *11* | 392,510 | (124,681) |
| Changes in long term receivables and other liabilities | | 12,454 | 5,559 |
| Changes in other working capital balances[1] | | 4,284 | (8,558) |
| **Net cash inflows from operating activities** | | **107,199** | **90,604** |
| **Investing activities** | | | |
| Purchase of intangible assets and property and equipment | *3.6* | (29,558) | (35,709) |
| Interest received | | 1,108 | 706 |
| Proceeds from sale of a subsidiary | | - | 4,330 |
| **Net cash outflows from investing activities** | | **(28,450)** | **(30,673)** |
| **Financing activities** | | | |
| Repayment of borrowings | | (37,500) | (53,750) |
| Purchase of treasury shares (share buy-back) | | (54,239) | - |
| Purchase of treasury shares (Share based payments) | | - | (16,889) |
| Payment of debt issuance cost | | - | (578) |
| Payment of lease liabilities | | (4,131) | (4,206) |
| **Net cash outflows from financing activities** | | **(95,870)** | **(75,423)** |
| **Net decrease in cash and cash equivalents** | | **(17,121)** | **(15,492)** |
| Effect of movements in exchange rates on cash held | | (7,866) | (1,214) |
| **Cash and cash equivalents at the beginning of the period** | | **194,472** | **280,056** |
| **Cash and cash equivalents at the end of the period** | *12* | **169,485** | **263,350** |

1. Changes in other working capital balances reflects movements in receivables and prepayments and trade, other payables and income tax payable adjusted for non-cash items.

Notes 1 to 21 form part of these condensed consolidated interim financial statements.



Classification - Public

# Notes to the condensed consolidated financial statements

## 1. Legal status and activities

Network International Holdings PLC ('the Company') listed its shares on the London Stock Exchange on 12 April 2019. The principal activities of the Group are enabling payments acceptance at merchants, acquirer processing, switching financial transactions, hosting cards and processing payment transactions and providing end to end management services and digital payment services.

The registered address of the Company's office is Suite 1, 7th floor, 50 Broadway, London SW1H 0BL, England. The registration number of the Company is 11849292.

The condensed consolidated interim financial statements of the Group as at and for the six months period ended 30 June 2023 comprise the Company and its subsidiaries (together referred to as the "Group").

## 2. Basis of preparation

### 2.1 Statement of compliance

This condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted for use in the UK.

The Group financial statements have been prepared in accordance with UK-adopted international accounting standards. The Group financial statements were also prepared in accordance with the International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). The condensed set of financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the company's published consolidated financial statements for the year ended 31 December 2022, with the addition of newly applicable standard i.e., IFRS 17 'Insurance Contracts' the impact of which is not material to these condensed consolidated interim financial statements.

These condensed consolidated interim financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006 and do not include all the information required for a complete set of IFRS consolidated financial statements. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since these last annual audited consolidated financial statements of the Group as at and for the year ended 31 December 2022.

The comparative figures for the financial year ended 31 December 2022 are not the company's statutory accounts for that financial year. Those accounts have been reported on by the company's auditor and delivered to the registrar of companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

Included within these condensed consolidated interim financial statements are alternative performance measure (APM) which are disclosed in note 3.

### 2.2 Basis of measurement

The condensed consolidated interim financial statements have been prepared under the historical cost basis except for the liability for defined benefit obligation, which is recognised at the present value of the defined benefit obligation.



Classification - Public

### 2.3 Functional and presentation currency

Items included in the interim financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The presentation currency of the Group is United States Dollar ('USD') as this is a more globally recognised currency and moreover two of the Group's largest entities' functional currencies (United Arab Emirates Dirhams (AED) for Network International LLC and Jordanian Dinar (JOD) for Network International Services Limited Jordan) are pegged with USD. All financial information presented in USD has been rounded to the nearest thousands, except when otherwise indicated.

### 2.4 Impact of seasonality

The Group is subject to seasonal fluctuations in both of its Merchant Services and Outsourced Payment Services business lines. The Group generally earns higher revenues and profits during the second half of the financial year driven by more tourism inflow, festive seasons, and the fact that historically, more Outsourced Payment Services clients (Financial institutions) tend to offer additional products in the market before the end of the calendar year. However, due to the unpredictability in the market, the seasonal pattern may have disruptions in the short to medium term.

### 2.5 Use of estimates and judgments

The preparation of condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimates uncertainty were the same as those which were applied to the last annual audited consolidated financial statements as at and for the year ended 31 December 2022. This did not result in any significant changes to the carrying amounts of Group's assets or liabilities.

### 2.6 Basis of consolidation

The condensed consolidated interim financial statements as at, and for the period ended 30 June 2023 comprises results of the Company and its subsidiaries. The condensed consolidated interim financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. All inter-company transactions, profits and balances are eliminated on consolidation.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

### 2.7 Going Concern

The Directors have adopted the going concern basis in preparing the condensed consolidated interim financial statements after assessing the principal risks on the Group's financial performance including under a base case and severe but plausible downside scenarios.

In making this assessment, the Directors have considered cash flows and leverage forecasts prepared for a period of at least 12 months from the date of approval of the condensed financial statements, estimating key performance indicators including revenues, underlying EBITDA, underlying and reported net income, capital expenditure and liquidity position of the Group. The base forecast has been done based on the management's latest view of the business performance. The forecast has been prepared based on assumptions related to key variables including but not limited to Total

Processed Volumes (TPV), number of credentials hosted, and number of transactions processed, which are the key drivers of the Group revenue and cash flow.

In Merchant service revenue, Group's revenues are generated through fees dependent upon the value of transactions processed (TPV), as well as through value added services, and on an overall basis are very closely correlated to the underlying value of transactions processed. Merchant services revenue was historically generated in the UAE and Jordan and has recently been expanded in Africa following the acquisition of DPO and the launch of direct-to-merchant services in Egypt. Whilst Outsourced payment services revenue are broadly balanced across Middle East and Africa. Under Outsourced payment services, Group's customers are typically financial institutions, where we have multi-year contracts in place and a number of them have contractual minimums. Therefore, our revenues for this business line are somewhat correlated to underlying transaction volumes but have greater resilience due to card hosting income stream and contractually fixed minimum revenue elements.

In terms of the Group's liquidity position, we continue to have sufficient liquidity headroom to meet financial obligations in the forecast period. The Group's leverage ratio also remains below the maximum threshold prescribed under the term financing facility agreement in the base case scenario as well as under severe but plausible downside scenarios as described below. The Group has strong liquidity position which is effectively managed by the cash generated in the business, term loans and overdraft facilities. As per the financing facility agreement for term loans, the Group is required to maintain a leverage ratio below the threshold of 3.5x net debt to underlying EBITDA. The leverage ratio as at 30 June 2023 was 0.6x.

The base forecast has been further stress tested by using two severe but plausible downside scenarios, to assess the Group's resilience against plausible adverse economic factors. In these stress scenarios, the Directors considered following assumptions

a) revenue growth is 50% lower than the base forecast
b) no revenue growth in forecast period as compared to the actual 2022 performance.

In both the downside scenarios as above, it has been assumed that the cost base will not decrease in proportion to decreases in revenues as a significant proportion of Group's cost base is fixed in nature. This also impacts the headroom available in the Group's leverage ratio. However, with forecasted operating cash flow generation and available committed financing facilities, leverage ratio remains below the maximum threshold in the downside scenarios as well.

Having considered the above factors, the Directors have a reasonable expectation that the Group has adequate resources to remain in operation for at least 12 months from the approval of these condensed consolidated interim financial statements and therefore continue to adopt the going concern basis in preparing these condensed consolidated interim financial statements.

## 3. Alternative performance measures

The Group uses these Alternative Performance Measures (APMs) to enhance the comparability of information between reporting periods either by adjusting for uncontrollable or one-off items, to aid the user of the financial statements in understanding the activities taking place across the Group. In addition, these alternative measures are used by the Group as key measures of assessing the Group's underlying performance on day-to-day basis, developing budgets and measuring performance against those budgets and in determining management remuneration.



Classification - Public

### 3.1 Specially Disclosed Items

Specially disclosed items are items of income or expenses that have been recognised in a given period which management believes, due to their materiality and being one-off / exceptional in nature, should be disclosed separately, to give a more comparable view of the period-to-period underlying financial performance.

The table below presents a breakdown of the specially disclosed items for each of the periods ended 30 June 2023 and 2022.

| | Six months ended 30 June (Unaudited) | |
|---|---|---|
| | **2023 USD'000** | **2022 USD'000** |
| **Items affecting EBITDA:** | | |
| Recommended cash acquisition related costs | 481 | - |
| **Total specially disclosed items affecting EBITDA** | **481** | **-** |
| | | |
| **Items affecting net income:** | | |
| Amortisation and tax on acquired intangibles[1] | 3,072 | 4,474 |
| **Total specially disclosed items affecting net income** | **3,072** | **4,474** |
| | | |
| **Total specially disclosed items** | **3,553** | **4,474** |

1. Amortisation of acquired intangibles: Amortisation charge of USD 3.9 million on the intangible assets recognised in the Group's condensed consolidated statement of financial position from the acquisition of Emerging Market Payments Services in 2016 and DPO Group in 2021, net-off by tax related impact of USD (0.8) million from acquisition of DPO.

### 3.2 Underlying EBITDA

Underlying EBITDA is defined as profit before interest, taxes, depreciation and amortisation, gain on the disposal of a subsidiary, unrealised foreign exchange (gains) / losses and specially disclosed items affecting EBITDA. The table below presents a reconciliation of the Group's reported profit for the period to underlying EBITDA for each of the periods ended 30 June 2023 and 2022.

| | Six months ended 30 June (Unaudited) | |
|---|---|---|
| | **2023 USD'000** | **2022 USD'000** |
| **Profit for the period** | **34,916** | **31,997** |
| Depreciation and amortisation | 35,642 | 36,189 |
| Net interest expense | 13,179 | 7,128 |
| Unrealised foreign exchange losses / (gains) | 1,723 | (2,191) |
| Taxation | 8,068 | 5,263 |
| Gain on the disposal of a subsidiary | - | (2,170) |
| Specially disclosed items affecting EBITDA | 481 | - |
| **Underlying EBITDA** | **94,009** | **76,216** |

### 3.3 Underlying EBITDA margin

Underlying EBITDA margin represents the Group's underlying EBITDA margin which is considered by the Group to give a more comparable view of period-to-period EBITDA margins. The table below presents a computation of the Group's underlying EBITDA margin, which is defined as underlying EBITDA divided by the revenue.

| | Six months ended 30 June (Unaudited) | |
|---|---|---|
| | 2023<br>USD'000 | 2022<br>USD'000 |
| **Revenue** | **239,290** | **205,032** |
| **Underlying EBITDA** | **94,009** | **76,216** |
| **Underlying EBITDA margin** | **39.3%** | **37.2%** |

### 3.4 Underlying net income

Underlying net income represents the Group's profit for the period adjusted for gain on the disposal of a subsidiary and specially disclosed items. Underlying net income is considered by the Group to give a more comparable view of period-to-period profitability.

The table below presents a reconciliation of the Group's reported profit for the period to underlying net income for each of the periods ended 30 June 2023 and 2022.

| | Six months ended 30 June (Unaudited) | |
|---|---|---|
| | 2023<br>USD'000 | 2022<br>USD'000 |
| **Profit for the period** | 34,916 | 31,997 |
| Gain on the disposal of a subsidiary | - | (2,170) |
| Specially disclosed items affecting EBITDA | 481 | - |
| Specially disclosed items affecting net income | 3,072 | 4,474 |
| **Underlying net income** | **38,469** | **34,301** |

### 3.5 Underlying earnings per share (EPS)

The Group's underlying EPS is defined as the underlying net income, adjusted for non-controlling interest (as explained above) divided by the weighted average number of ordinary shares.

| | Six months ended 30 June (Unaudited) | |
|---|---|---|
| | 2023 | 2022 |
| **Underlying net income (USD'000)** | **38,469** | **34,301** |
| Non-controlling interest (USD'000) | (719) | 64 |
| Underlying net income – attributable to equity holders (USD'000) | 37,750 | 34,365 |
| Weighted average number of shares ('000) | 531,293 | 555,361 |
| **Underlying EPS (USD cents)** | **7.1** | **6.2** |

### 3.6 Capital expenditure

The table below provides the split of total capital expenditure into core capital expenditure (growth and maintenance capital expenditure), expenditure for Kingdom of Saudi Arabia market entry and separation of shared services from Emirates NBD.

| | Six months ended 30 June (Unaudited) | |
|---|---|---|
| | **2023 USD'000** | **2022 USD'000** |
| **Total capital expenditure** | **24,603** | **24,163** |
| **Capital expenditure** | **24,233** | **22,236** |
| of which is maintenance capital expenditure | 4,276 | 6,911 |
| of which is growth capital expenditure | 19,957 | 15,325 |
| **Kingdom of Saudi Arabia market entry** | **370** | **1,548** |
| **Separation of shared services from Emirates NBD** | **-** | **379** |

### Reconciliation of capital expenditure to the cash spend in the condensed consolidated statement of cash flow

| | Six months ended 30 June (Unaudited) | |
|---|---|---|
| | **2023 USD'000** | **2022 USD'000** |
| **Total capital expenditure** | **24,603** | **24,163** |
| Goods/services received in the current period, but yet to be paid | (789) | (1,754) |
| Goods/services received in prior period, and paid in the current period | 5,744 | 13,300 |
| **Total consolidated capital expenditure spend (as per consolidated statement of cash flows)** | **29,558** | **35,709** |

### 3.7 Underlying free cash flow

Underlying free cash flow is calculated as underlying EBITDA adjusted for changes in other working capital balances, taxes paid, total capital expenditure and SDI affecting EBITDA.

The Group uses underlying free cash flow as an operating performance measure that helps management determine the conversion of underlying EBITDA to underlying free cash flow.

| | Six months ended 30 June (Unaudited) | |
|---|---|---|
| | **2023 USD'000** | **2022 USD'000** |
| **Underlying EBITDA** | **94,009** | **76,216** |
| Changes in other working capital balances[1] | 4,284 | (8,558) |
| Taxes paid | (7,845) | (3,520) |
| Total capital expenditure | (24,603) | (24,163) |
| Specially disclosed Items affecting EBITDA | (481) | - |
| **Underlying free cash flow** | **65,364** | **39,975** |

1. Changes in other working capital balances reflects movements in receivables and prepayments and trade, other payables and income tax payable adjusted for non-cash items.



Classification - Public

### Reconciliation of cash flows from operating activities to underlying free cash flow

| | Six months ended 30 June (Unaudited) | |
|---|---|---|
| | 2023 USD'000 | 2022 USD'000 |
| **Net cash inflows from operating activities** | **107,199** | **90,604** |
| Less: Cash inflows included in the statutory cash flow but not in the Underlying free cash flow | | |
| Changes in settlement related balances, long term receivables and other liabilities | (17,808) | (33,582) |
| Charge for share-based payment | (5,036) | (3,014) |
| Add: Cash outflows included in the statutory cash flow but not in the Underlying free cash flow | | |
| Interest Paid | 7,312 | 7,064 |
| Others[1] | (1,700) | 3,066 |
| **Underlying free cash flow before capital expenditure** | **89,967** | **64,138** |
| Total capital expenditure | (24,603) | (24,163) |
| **Underlying free cash flow** | **65,364** | **39,975** |

1 Others include provision for expected credit losses and foreign exchange gains and losses

### 3.8 Underlying effective tax rate

The Group's underlying effective tax rate is defined as the underlying taxes as a percentage of the Group's underlying net income before tax. The underlying effective tax rate for the Group for the periods ended 30 June 2023 and 2022 was 18.7% and 14.9%, respectively.

| | Six months ended 30 June (Unaudited) | |
|---|---|---|
| | 2023 USD '000 | 2022 USD '000 |
| **Underlying net income before tax** | **47,327** | **40,354** |
| Underlying taxation | 8,858 | 6,053 |
| **Underlying effective tax rate** | **18.7%** | **14.9%** |

## 4. Segment reporting

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Operating Decision Maker (Network Executive Committee) and the Board of Directors to allocate resources and assess performance. For each identified operating segment, the Group has disclosed information that is assessed internally to review and steer performance.

During the last reporting period, the Group has changed its internal reporting structure and accordingly changed its operating segments under IFRS 8 from Geographical view (i.e., Middle East and Africa) to business line view-Merchant Services and Outsourced Payment Services (previously named as Merchant Solutions and Issuer Solutions). Furthermore, acquirer processing revenues have been moved from the business line previously known as Merchant Solutions and into the newly classified Outsourced Payment Services business line. Accordingly, the prior year figures have been re-grouped for a comparable view. Consistent to last year DPO revenues are part of Merchant Services, as it does not meet the quantitative threshold of reportable segments under the Group's accounting policy and IFRS 8.

Furthermore, the Group has applied its reasonable judgement to aggregate DPO results into Merchant services based on the a) similar economic characteristics of future cash flows, b) nature of Group services (i.e., merchant acquiring products); and c) the Group's method to provide these services to its merchants. The Group reviews and manages the performance of these segments based on total revenue and contribution for each operating segment.

Contribution is defined as segment revenue less operating costs (personnel cost and selling, operating and other expenses) that can be directly attributed to or controlled by the segments. Contribution does not include allocation of shared costs that are managed at group level and hence shown separately under central function costs.

### Statement of profit or loss for the six months ended 30 June 2023

| | Merchant Services | Outsourced Payment Services | Non-attributable | Total |
|---|---|---|---|---|
| | | USD'000 | | |
| **Revenue** | **111,355** | **125,990** | **1,945** | **239,290** |
| Contribution | 80,039 | 88,915 | 1,945 | 170,899 |
| Contribution margin (%) | 71.9% | 70.6% | - | 71.4% |
| Central functions costs | | | (76,890) | (76,890) |
| Depreciation and amortisation | | | (35,642) | (35,642) |
| Specially disclosed items affecting EBITDA | | | (481) | (481) |
| Net interest expense | | | (13,179) | (13,179) |
| Unrealised foreign exchange loss | | | (1,723) | (1,723) |
| Taxation | | | (8,068) | (8,068) |
| **Profit for the period** | 80,039 | 88,915 | (134,038) | **34,916** |

### Statement of financial position as at 30 June 2023

| | Merchant Services | Outsourced Payment Services | Non-attributable | Total |
|---|---|---|---|---|
| | | USD'000 | | |
| Current assets | 851,105 | 71,718 | 175,177 | 1,098,000 |
| Non-current assets | 64,386 | 37,580 | 685,562* | 787,528 |
| **Total assets** | **915,491** | **109,298** | **860,739** | **1,885,528** |
| Current liabilities | 868,112 | 1,255 | 145,334 | 1,014,701 |
| Non-current liabilities | - | - | 270,463 | 270,463 |
| **Total liabilities** | **868,112** | **1,255** | **415,797** | **1,285,164** |

*This includes goodwill amounting to USD 495.5 million.

### Statement of profit or loss for the six months ended 30 June 2022 (restated)

| | Merchant Services | Outsourced Payment Services | Non-attributable | Total |
|---|---|---|---|---|
| | | USD'000 | | |
| **Revenue** | **85,673** | **117,926** | **1,433** | **205,032** |
| Contribution | 60,804 | 83,531 | 1,433 | 145,768 |
| Contribution margin (%) | 71.0% | 70.8% | - | 71.1% |
| Central functions costs | | | (69,552) | (69,552) |
| Depreciation and amortisation | | | (36,189) | (36,189) |
| Gain on disposal of a subsidiary | | | 2,170 | 2,170 |
| Net interest expense | | | (7,128) | (7,128) |
| Unrealised foreign exchange gain | | | 2,191 | 2,191 |
| Taxation | | | (5,263) | (5,263) |
| **Profit for the period** | 60,804 | 83,531 | (112,338) | **31,997** |

### Statement of financial position as at 31 December 2022

| | Merchant Services | Outsourced Payment Services | Non-attributable | Total |
|---|---|---|---|---|
| | | USD'000 | | |
| Current assets | 462,590 | 70,796 | 252,473 | **785,859** |
| Non-current assets | 62,936 | 35,385 | 694,588* | **792,909** |
| **Total assets** | **525,526** | **106,181** | **947,061** | **1,578,768** |
| Current liabilities | 477,514 | 2,152 | 169,414 | **649,080** |
| Non-current liabilities | - | - | 302,006 | **302,006** |
| **Total liabilities** | **477,514** | **2,152** | **471,420** | **951,086** |

*This includes goodwill amounting to USD 495.8 million.

## Revenues split by region

## Middle East

The Group's primary market in the Middle East region is UAE whereas the second most significant market is Jordan. In both the markets, the Group provides Merchant services and Outsourced payment services to various financial and non-financial institutional clients.

## Africa

**Under Africa region, the Group's key sub-markets are North Africa, West & Central Africa, East Africa and Southern Africa.**

### (i) North Africa

One of the most significant markets in North Africa is Egypt. The Group currently provide services to several of Egypt's leading financial institutions, for outsourced payment services. North Africa contributed 28% of the total Africa Revenue in H1 2023 (H1 2022: 39%) and 8% of Group revenues (H1 2022: 13%).

### (ii) West & Central Africa

The significant markets in West & Central Africa are Nigeria and Ghana, where the Group has an established presence serving several leading financial institutions, mainly providing outsourced payment services. West & Central Africa contributed 30% of the total Africa Revenue in H1 2023 (H1 2022: 25%) and 8% of Group revenues (H1 2022: 8%).

### (iii) East Africa

The significant market in East Africa is Kenya where the Group provides its services. East Africa contributed 11% of the total Africa Revenue in H1 2023 (H1 2022: 9%) and 3% of Group revenues (H1 2022: 3%).

### (iv) Southern Africa

The significant market in Southern Africa is South Africa, where the Group provides merchant services and outsourced payment services. South Africa contributed 31% of the total Africa Revenue in H1 2023 (H1 2022: 27%) and 9% of Group revenues (H1 2022: 9%).



Classification - Public

## 5. Revenues

### Merchant Services

Under Merchant Services, the Group provides a broad range of technology-led payment solutions to its merchants through a full omni-channel service allowing them to accept payments of multiple types, across multiple payment channels. The Group offers functionality in most aspects of payment acceptance, whether in-store, online or on a mobile device, by providing access to a global payments network through its agile, integrated, secure, reliable and highly scalable technology platforms, Network One and Network Lite. The Group's Merchant Services business line is where we maintain direct relationships with merchant customers and PSPs (Payment Service Provider businesses), enabling merchants to accept digital payments. The business line spans the UAE, Jordan, across Africa (DPO Group) and newly launched services in Egypt. The Group generates both, transactional and non-transactional revenue (refer below for detail) under Merchant Services.

### Outsourced Payment Services

Through its Outsourced Payment Services business line, the Group provides support to FIs, fintechs and other customers in over 50 countries across two main business lines: i) Issuer processing: where we support payment credential issuing customers in enabling their consumers to 'make payments' by managing and processing their consumer payment credentials and transactions. Issuer processing represents the majority of revenue within Outsourced Payment Services. ii) Acquirer processing: where we enable Financial Institutions (FIs), fintechs, and indirectly, their merchant customers, to 'take payments' from consumers. Within acquirer processing, our clients maintain the relationship with the merchants, whilst we provide digital payment acceptance, transaction processing and other operational services. The Group generates both, transactional and non-transactional revenue (refer below for detail) under Outsourced Payment Services.

For both Merchant Services and Outsourced Payment Services, the Group's sources of revenue can be broadly categorised into transaction-based revenue and non-transaction-based revenue.

**Transaction based revenue:** includes revenue generated through a combination of: (a) a Gross Merchant Service Charge (MSC), charged to the merchant on the total processed volume (TPV); (b) a fee per transaction processed and billed, (c) a fee per credential hosted and billed and (d) fees for the provision of Value-Added Services including foreign exchange services. The revenue is reported on a net basis, i.e., after the deduction of interchange and scheme fees paid to the card issuer and payment schemes, respectively. The transactional based revenue is recognised at a point in time in line with the group accounting policy.

Interchange fees are the fees that are paid to the card issuing banks which are generally based on transaction value but could also be a fixed fee combined with an ad valorem fee. Scheme fees are the fees paid to the payment schemes for using cards licensed under their brand names and for using their network for transaction authorisation and routing.

**Non-transaction-based revenue:** which includes but not limited to revenue generated through provision of various value-added services (those that are fixed periodic charge), rental from point-of-sale (POS) terminals and project related revenue.

The non-transactional based revenue is recognised at a point in time or over time depending upon the type of service being provided, contractual terms and timing when the performing obligation is met by the Group, in line with the group accounting policy.

The Group recognises the revenue over time mainly in the following cases:

- Services provided by the Group where customer simultaneously receives and consumes the benefits as and when the Group performs its obligation; and
- Project related revenue, where the Group provides service to develop or enhances the tangible / intangible assets which is short term in nature.

| | Six months ended 30 June (Unaudited) | |
|---|---|---|
| | 2023 USD'000 | 2022 USD'000 (restated) |
| Merchant Services | 111,355 | 85,673 |
| Outsourced Payment Services | 125,990 | 117,926 |
| Other revenue | 1,945 | 1,433 |
| **Revenue** | **239,290** | **205,032** |

During the year 2022, the Group has changed its internal reporting structure and re-aligned its business line - Merchant services and Outsourced payment services (previously named as Merchant solutions and Issuer Solutions). This has resulted in certain revenue line items (including acquirer processing revenues) moving from business line previously known as Merchant Solutions into the newly classified Outsourced Payment Services business line. Accordingly, the prior year figures have been re-grouped for a comparable view.

## 6. Personnel expenses

The Group's personnel expenses include salaries and wages, share-based compensations, bonuses and terminal and other benefits recognised during the period, when the associated services are rendered by the employees. The details of personnel expenses are as follows:

| | Six months ended 30 June (Unaudited) | |
|---|---|---|
| | 2023 USD'000 | 2022 USD'000 |
| Salaries and allowances | 49,908 | 45,986 |
| Bonus and sales incentives | 7,915 | 6,119 |
| Share based compensation* | 5,029 | 3,014 |
| Terminal and other benefits | 7,115 | 5,168 |
| **Personnel expenses** | **69,967** | **60,287** |

* Share based compensation include LTIP charge amounting to USD 5.0 million (2022: USD 3.0 million). Refer to note 18 for details.

## 7. Selling, operating and other expenses

Selling, operating and other expenses consist primarily of technology and communication related expenses, third-party costs, legal and professional charges, provision for expected credit losses, and other general and administrative expenses. The details of selling, operating and other expenses are as follows:

| | Six months ended 30 June (Unaudited) | |
|---|---|---|
| | 2023 USD'000 | 2022 USD'000 |
| Technology and communication cost | 33,579 | 32,975 |
| Third-party cost | 15,004 | 11,714 |
| Legal and professional fees | 10,489 | 12,111 |
| Provision for expected credit losses | 1,700 | 528 |
| Other general and administrative expenses | 15,023 | 11,201 |
| **Selling, operating and other expenses** | **75,795** | **68,529** |

## 8. Net interest expense

Interest expense primarily comprises of interest expense on borrowings and lease liabilities. All borrowing costs are recognised in the condensed consolidated statement of profit or loss using the effective interest method.

Interest income comprises of interest income on funds invested. Interest income is recognised in the condensed consolidated statement of profit or loss, using the effective interest method. The breakdown of net interest expense is as follows:

| | Six months ended 30 June (Unaudited) | |
|---|---|---|
| | 2023 USD'000 | 2022 USD'000 |
| Interest on term loan facility | 11,268 | 5,055 |
| Interest on revolving credit | - | 208 |
| Interest on bank overdrafts | 1,446 | 660 |
| Amortisation of debt issuance cost | 787 | 884 |
| Other interest expense | 786 | 1,059 |
| Interest income | (1,108) | (738) |
| **Net interest expense** | **13,179** | **7,128** |

## 9. Taxation

On 9 December 2022, the United Arab Emirates (UAE) Ministry of Finance ("MoF") released Federal Decree-Law No 47 of 2022 on the Taxation of Corporations and Businesses, Corporate Tax Law ("CT Law") to enact a new CT regime in the UAE. The new CT regime will become effective for accounting periods beginning on or after 1 June 2023 ("effective date"). As the Group's first accounting year post "effective date" starts from 1st January 2024, UAE corporate tax law will be applicable for the Group's UAE legal entities from 1 January 2024.

The CT Law confirmed the rate of 9% to be applied to be taxable income exceeding the threshold set by cabinet decision. Based on the latest publicly available information, the Group is currently not subject to the Global Minimum Tax rate of 15% which is dependent on the implementation of Base Erosion Profit Shifting (BEPS 2) - Pillar Two rules by the countries where the Group operates and a top-up tax regime by UAE Ministry of Finance.

The UAE government published a Cabinet Decision setting the Taxable Income threshold beyond which the new Corporate Income Tax will apply. This event made the Corporate Income Tax substantively enacted within the meaning of IAS 12. Enactment of the legislation requires the recognition of deferred taxes where relevant. While detailed assessment is underway and will be concluded before finalising the 2023 financial statements, management's initial assessment is that Group does not have any significant deferred tax balances to record as at 30 June 2023. The impact of any future changes in enacted law will be accounted for as and when such changes are substantively enacted or enacted.

Income tax expense is recognised at an amount determined by multiplying the profit before tax for the interim period by management's best estimate of the weighted average annual income tax rate expected for the full financial year, adjusted for the tax effect of certain items recognised in full in the interim period. As such, the effective tax rate in the interim financial statements may differ from management's estimate of the effective tax rate for the annual financial statements. The Group's reconciliation of effective tax in respect of profit for the period is as follows:

| | Six months ended 30 June (Unaudited) | |
|---|---|---|
| | **2023 USD'000** | **2022 USD'000** |
| **Profit before tax** | **42,984** | **37,260** |
| Tax using the Company's domestic tax rate [1] | - | - |
| Effect of tax rates in foreign jurisdictions | 5,936 | 5,036 |
| **Tax effect of:** | | |
| Non-deductible expenses | 1,820 | 1,560 |
| Other allowable deduction | (2,585) | (882) |
| Tax incentives / rebates | (480) | (488) |
| Withholding tax | 1,850 | 765 |
| Carry forward losses | 74 | (141) |
| Deferred tax expense / (benefit) | 487 | (1,263) |
| Adjustment for prior periods | 470 | 544 |
| Other adjustments | 496 | 132 |
| **Income tax expense** | **8,068** | **5,263** |

1. As the Group's largest operations are in UAE, the tax rate applied in this tax reconciliation is that of UAE (i.e Nil), rather than the rate applying in the UK where the Company is incorporated.

## 10. Goodwill and impairment

Goodwill arises on the acquisition of subsidiaries and represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets. Goodwill is carried at cost less accumulated impairment losses and is tested annually for impairment. Goodwill amounted to USD 495.5 million as at 30 June 2023 (2022: USD 495.8 million).

At the year ended 31 December 2022, impairment testing of goodwill was performed at the Cash Generating Unit ("CGU") level. For this purpose, management considered three CGUs, namely Jordan, Africa and DPO and based on results of the assessment, there was no impairment in carrying value of any of the three CGUs. The Group carries out an annual testing for impairment of the Goodwill.

Furthermore, during the period, the Group has used internal and external sources of information to assess whether there is any indication for impairment in any intangible assets including goodwill. In making this assessment, the Group has considered economic, market and technological environment and performance of the CGU's against the budget and prior years. Accordingly, the Group concluded that there is no indicator of impairment, that would have triggered the detailed impairment assessment as at 30 June 2023.

## 11. Scheme debtors, merchant creditors and restricted cash

Scheme debtors and merchant creditors represent intermediary balances that arise as part of the daily settlement process related to Network's direct acquiring business and processing of transactions on behalf of Network's issuer processing and acquirer processing clients in accordance with contractual arrangements.

| | (Unaudited) 30 June 2023 USD'000 | 31 December 2022 USD'000 | Cash inflow/ (outflow) USD'000 |
|---|---|---|---|
| Scheme debtors | 723,884 | 336,728 | **(387,156)** |
| Merchant creditors | (678,301) | (285,791) | **392,510** |
| Restricted cash (part of cash and cash equivalents) | 119,289 | 119,357 | **68** |

**Scheme debtors and merchant creditors:** Scheme debtor and merchant creditor balances generally reflect TPV processed in the direct-to-merchant business line in the immediate preceding days before the period end, as well as a number of other factors that can include the day of the week and domestic / international mix of underlying volumes.

**In the UAE and Jordan**, which represents the majority of the balances; merchants generally receive funds before Network obtains settlement from the card schemes and financial institutions, resulting in larger scheme debtor balances when compared to merchant creditor balances. Most merchants receive settlement on the day following a consumer transaction, whilst scheme debtor balances are generally outstanding for 2-3 days.

**In Africa (DPO)**, the settlement timeline differs to Network. Payments to merchants are made after DPO has received settlement from banks and mobile network operators and results in larger merchant creditor balances when compared to scheme debtor balances.

**Restricted cash (part of cash and cash equivalents, refer note 12)**
Restricted cash represents balances specifically due to merchants.

**In the UAE and Jordan,** restricted cash represents i) cash held as a form of collateral to manage the risk of merchant chargebacks, and ii) cash balances collected from card schemes/financial institutions but not settled to merchants.

**In Africa (DPO),** restricted cash largely represents cash balances already received from banks and mobile network operators, but not yet remitted to merchants.

## 12. Cash and cash equivalents

| | (Unaudited) 30 June 2023 USD'000 | 31 December 2022 USD'000 |
|---|---|---|
| **Cash and cash equivalents – as per condensed consolidated statement of financial position** | | |
| Cash and cash equivalents (restricted) | 119,289 | 119,357 |
| Cash and cash equivalents (un-restricted) | 149,979 | 234,402 |

| | (Unaudited) 30 June 2023 USD'000 | 30 June 2022 USD'000 |
|---|---|---|
| **Cash and cash equivalents – as per condensed consolidated statement of financial position** | | |
| Cash and cash equivalents (restricted) | 119,289 | 100,971 |
| Cash and cash equivalents (un-restricted) | 149,979 | 202,733 |
| Bank overdraft | (99,783) | (40,354) |
| **Cash and cash equivalents – as per condensed consolidated statement of cash flows** | 169,485 | 263,350 |

## 13. Receivables and prepayments

Receivables and prepayments are initially recognised at fair value in the period to which they relate. They are held at amortised cost, less any provision (if any). Provisions are presented net with the related receivable in the condensed consolidated statement of financial position.

| | (Unaudited) 30 June 2023 USD'000 | 31 December 2022 USD'000 |
|---|---|---|
| Trade receivables | 81,047 | 79,453 |
| Chargeback receivables | 4,198 | 3,955 |
| Prepaid expenses | 13,951 | 9,343 |
| Security deposits | 2,581 | 1,573 |
| Other receivables | 8,667 | 7,155 |
| | 110,444 | 101,479 |
| Less: Provision for impairment | (5,596) | (6,107) |
| **Receivables and prepayments** | 104,848 | 95,372 |

## 14. Related party balances and transactions

In the interim financial statements for the half year ended on 30 June 2023, there are no significant changes to the nature of related parties disclosed in the annual consolidated financial statements for the Group as at and for the year ended 31 December 2022. Related party transactions during the period are set out in the table below:

| | Six months ended 30 June (Unaudited) 2023 USD'000 | 2022 USD'000 |
|---|---|---|
| **Executive Director's remuneration** | | |
| Director's remuneration during the period | **524** | **504** |
| Terminal and other benefits | **1,114** | **1,003** |
| Share-based payments | **645** | **542** |
| **Non-Executive Director's remuneration** | | |
| Director's remuneration during the period | **703** | **905** |
| **Other key management personnel remuneration** | | |
| Salaries and allowances | **2,541** | **2,016** |
| Terminal and other benefits | **2,243** | **2,679** |
| Share-based payments | **2,189** | **1,590** |

## 15. Trade and other payables

Trade and other payables are recognised initially at fair value in the period to which they relate. They are subsequently held at amortised cost using the effective interest rate method. It also includes provisions which are recognised when the Group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

| | (Unaudited) 30 June 2023 USD'000 | 31 December 2022 USD'000 |
|---|---|---|
| Accrued expenses | 72,795 | 49,919 |
| Staff benefits | | |
| Provision for bonus and sales incentives | 3,843 | 10,623 |
| Terminal and other benefits | 1,517 | 2,064 |
| Unpaid capital expenditure | 9,423 | 14,378 |
| Unclaimed balances | 7,897 | 6,562 |
| Tax and other related liabilities | 12,854 | 15,237 |
| Interest payable | 5,535 | 223 |
| Deferred income (refer note below) | 894 | 3,060 |
| Other liabilities | 37,840 | 20,645 |
| **Trade and other payables** | **152,598** | **122,711** |

Deferred income relates to the Group contractual liabilities for the project related revenues.



Classification - Public

## 16. Borrowings

The Group's total borrowings, including current borrowings, amounted to USD 403.7 million (2022: USD 500.6 million). The details are included in the table below.

The long-term syndicated loan facility is utilised to increase the Group's liquidity, fund inorganic growth opportunities and other accelerator projects, as well as for general corporate purposes. The original facility was for USD 525 million, of which USD 375 million was drawn in March 2020. We have since made a scheduled repayment of USD 37.5 million in 2022, USD 37.5 million in H1 2023 and expect to make a further repayment of USD 37.5 million during the remaining of 2023. By the end of 2023 we would have repaid 30% of the drawn balance. The repayment schedule is set at 20% each year during 2024 and 2025, with the remaining balance of 30% to be paid in full in March 2026.

| | (Unaudited) 30 June 2023 USD'000 | 31 December 2022 USD'000 |
|---|---|---|
| Non-Current borrowings | 228,226 | 265,291 |
| Current borrowings | 175,482 | 235,346 |
| **Total** | **403,708** | **500,637** |
| ***Split into:*** | | |
| a) Syndicated term loan | | |
| - Non-Current portion | 222,272 | 258,985 |
| - Current portion | 75,000 | 75,000 |
| **Sub Total** | **297,272** | **333,985** |
| b) Other term loan-from business combination | | |
| - Non-Current portion | 5,953 | 6,306 |
| - Current portion | 700 | 1,059 |
| **Sub Total** | 6,653 | 7,365 |
| Bank overdraft (for working capital) | 99,783 | 159,287 |
| **Total** | **403,708** | **500,637** |

## 17. Share capital and reserve

Ordinary shares are classified as equity. Incremental costs (if any) directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

| | (Unaudited) 30 June 2023 USD'000 | 31 December 2022 USD'000 |
|---|---|---|
| **Issued and fully paid up** | | |
| 537,748,593 shares of GBP 0.10 (2022: 561,101,690 shares of GBP 0.10) | 70,036 | 73,077 |

As disclosed in our 2022 annual report and accounts, on 11 August 2022, the Group announced a share buyback programme. The program has been completed and resulted in the buy-back of 28,353,097 shares, out of which 23,353,097 has been canceled and adjusted against share capital and share premium.



Classification - Public

Reserves comprise of the following:

**Treasury shares** amounted to USD (16.2) million (2022: USD (40.6) million) and represent buyback of 28,353,097 shares (2022: 11,532,594 shares) purchased under the share buyback programme, out of which 23,353,097 shares have been canceled.

**Foreign exchange reserves** amounted to USD (47.9) million (2022: USD (36.5) million) includes the cumulative net change due to changes in value of subsidiaries' functional currency to USD from the date of the previous reporting period to the date of the current reporting period.

**Reorganisation and other reserves** includes a) reorganisation reserve and b) Other reserve.

**a)** **Reorganisation reserve** amounted to USD (1.5) billion (2022: USD (1.5) billion), and relates to the reserve created as part of restructuring undertaken by the Group in 2019.

**b)** **Other reserve** amounted to USD 8.3 million (2022: USD 8.3 million). It includes the following:

i) **Statutory reserve** amounted to USD 8.5 million (2022: USD 8.5 million) and is the reserve representing a proportion of profit that is required to be maintained in subsidiary companies based on the local regulatory laws of the respective countries in which the Group operates.

ii) **Fair value reserve** represents net defined benefit cost recognised in other comprehensive income and amounted to USD (0.2) million (2022: USD (0.2) million).

**c)** **Capital redemption reserve (CRR)** represents amount of share capital bought back and cancelled during the period.

**Retained earnings** includes USD (16.9) million representing purchase of 5,218,802 shares for LTIP scheme for H1 2022, which has not recurred during the period.

## 18. Share-based compensation

The Group has the following share-based payment schemes for the employees.

- Long Term Incentive Plan (LTIP)

The detailed accounting policy related to the above schemes are included in the consolidated financial statements for the year ended 31 December 2022 and are available on the Company's website under Annual report and accounts 2022.

The details of P&L charge, liability and cumulative P&L charge for these schemes at the reporting date are as below:

| Particulars | | | Cumulative P&L charge USD'000 | | P&L charge USD'000 | |
|---|---|---|---|---|---|---|
| **Scheme** | **Settlement** | **Conditions** | **30 June 2023 (Unaudited)** | **31 December 2022** | **30 June 2023 (Unaudited)** | **30 June 2022 (Unaudited)** |
| LTIP – Grants | Equity Settled | Service and / or performance conditions | 20,981 | 15,945 | 5,036 | 3,014 |



Classification - Public

## 19. Earnings per share

Basic earnings per share amounts are calculated by dividing the profit attributable to owners of the parent by the weighted average number of ordinary shares in issue during the financial period.

Diluted earnings per share amounts are calculated by dividing the profit attributable to owners of the parent by the weighted average number of ordinary shares in issue during the financial period adjusted for the effects of potentially dilutive options.

The basic and diluted earnings per share is based on profit for the period of USD 34.2 million (30 June 2022: USD 32.1 million). The profit attributable to the equity holders for the six months period ended 30 June 2023 is based on 531,292,516 shares (30 June 2022: 555,360,875 shares). The share count has decreased mainly due to the cancellation of 23,353,097 shares during the year.

| | Six months ended 30 June (Unaudited) | |
|---|---|---|
| | **2023 In USD / cents** | **2022 In USD / cents** |
| Basic earnings per share | 6.4 | 5.8 |
| Diluted earnings per share | 6.3 | 5.7 |

## 20. Contingencies and commitments

| | **(Unaudited) 30 June 2023 USD'000** | **31 December 2022 USD'000** |
|---|---|---|
| Performance and other guarantees | 18,041 | 20,609 |
| Commitments | 11,933 | 6,439 |
| | **29,974** | **27,048** |

Performance and other guarantees include guarantees given by the banks on Group's behalf to the clients for the performance and other obligations as per relevant contracts.

Commitments includes capital expenditure commitments against what the Group has committed with different vendors to procure the assets but has not yet acquired them.

## 21. Subsequent event

On 9 June 2023, the board of Network announced the terms of a recommended cash acquisition of the Group by BCP VI Neptune Bidco Holdings ("BidCo"), an entity indirectly owned by Brookfield Business Partners together with private equity funds managed and/or advised by affiliates of Brookfield Asset Management Ltd Limited (the "Acquisition"), which is being implemented by way of a scheme of arrangement (the "Scheme"). The circular to Network's shareholders in relation to the Scheme (the "Scheme Document") was published on 12 July 2023 and the Scheme was approved by the requisite majorities of Network shareholders at the relevant meetings held on 4 August 2023. The Acquisition remains conditional on, among other things, receipt of merger control and regulatory approvals in a number of jurisdictions, further details of which are set out in the Scheme Document. Subject to receiving these approvals, the Acquisition is expected to become effective in Q4 2023. Network will announce further updates via a Regulatory Information Service at the appropriate time.