



RS2 Software p.l.c.

COMPANY ANNOUNCEMENT

Interim Directors' Statement

Quote

2019 has been a great journey for the Group which continues to build on the success of the previous year in terms of regional and business expansion.

During the second half of 2019, the Group executed strategic milestones to increase its customer base and diversify its businesses in Europe and globally.

The Group continues to enhance its platform in order to board more businesses being large financial institutions, ISVs, PayFacs, and merchants from various industries such as travel, hospitality, retail, gaming, FX and healthcare on its platform globally. This is done by providing issuing and acquiring processing services throughout Europe, Middle East, North America, Latin America and Asia Pacific, covering various industries, while reducing the cost of the BankWORKS® platform infrastructure.

The success of the Group has been empowered and executed due to the uniqueness of BankWORKS® being one single platform deployed on the cloud covering all payment channels which allows its customers to transact globally through one single API. This consolidates and streamlines the business of domestic and international businesses, providing access to the entire information and reporting through one single view. This allows the customer to analyse and predict the performance of their business and mitigate risk where relevant, while improving their approval which in return increases their business.

The implementation and deployment of significant customers of RS2 Smart Processing is in the final stages to launch services in early 2020. New customers in Europe are concluding processing agreements to launch their services during the second half of next year. Current customers of RS2 Smart Processing have been ramping up their volumes and consolidating their entire cross-regional business on the platform.

The strategy shift of the Group, from continuing to provide perpetual Licences of its platform to Managed Services, results in the following benefits:

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- The Managed Services pillar has eliminated the fluctuations in revenue recognition with shorter implementation time in comparison to the Licencing pillar
- Increasing its margins as managed services and term licences (selective per region) are more cost effective once clients scale with the platform
- Increasing predictability of revenues as managed service revenue is predominantly transaction-based

The Group continues to increase the value of its shareholders by implementing what has been promised by Management, that is, starting its acquiring business. The Group is already engaged with merchants from different industries to start direct acquiring in Europe and Latin America. In order to accelerate the process, the Group is in the process of obtaining its Financial Institution Licence by the German authority which is expected to be issued during mid-2020 (depending on authority outcome). In order to launch its acquiring business during the first quarter of 2020, the Group has signed a sponsorship agreement with a European acquirer in order to utilise their relationship with the card organisations (such as Mastercard and Visa) for its acquiring subsidiary RS2 Financial Services.

Once the e-money licence is issued, the Group will be able to gradually execute the following financial services:

- Acquiring payment transactions
- Issuing of payment instruments
- Deposit transaction business
- Cash withdrawal business
- Payment business without credit line
- Payment business with credit line
- Money remittance
- Payment initiation services
- Account information services
- Factoring in connection with payment services
- E-Money business

The North American subsidiary of the Group, RS2 Software Inc, now offers a global, complete and modern cloud-based processing platform (Issue/settle/acquire) in the US for any form of payment (including crypto-currency), with rich functionality and API enablement. RS2 Software Inc is positioned as a Payment-as-a-Service company that enables innovators to create their own payment ecosystem. It is thus a real alternative to existing players. Focus is on filling the void created by mega-mergers. Targeted customers are technical ISOs, ISVs, Payment Facilitators and technology companies with merchant base. The Company is in the final stages of signing several agreements in different industries in the US.

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RS2's strategy for Asia Pacific is mainly focusing on two areas:

- Delivering Payment as a Service for issuing and acquiring to financial institutions of any size
- Offering term licenses for issuing and acquiring to large international banks

The Group will also be establishing sponsorship relationships with its card customers currently in the Philippines, Vietnam, Malaysia, Australia and New Zealand in order to be able to service multi-national corporates in the APAC region.

The APAC subsidiary of the Group operating out of the Philippines, will be managing the sales and marketing activities and client support, including implementation and customization services for the license clients and running the operation for the managed services clients. At the same time, the subsidiary will also be providing cross services to the Group such as call center activities and chargeback processing.

In Latin America the strategy of the Group is currently to continue increasing the services to its current customers in Brazil, Argentina and Colombia by supporting their regional expansion.

Unquote

A handwritten signature in black ink, appearing to read 'Dr. Ivan Gatt', written over a horizontal line.

Dr. Ivan Gatt

Company Secretary
27th December 2019