



RS2 Software p.l.c.

COMPANY ANNOUNCEMENT

The following is a Company Announcement issued by RS2 Software p.l.c. (“the Company”) pursuant to the Capital Market Rules as issued by the Malta Financial Services Authority in accordance with the provisions of the Financial Markets Act (Chapter 345 of the Laws of Malta) as they may be amended from time to time.

Quote:

During a meeting held on 23 August 2022, the Board of Directors of the Company approved the attached Condensed Interim Consolidated Financial Statements, for the six-month period commencing on 1 January 2022 to 30 June 2022.

The Board of Directors has authorised the publication of the Condensed Interim Consolidated Financial Statements as at 30 June 2022, which is available for viewing on the Company’s website at <https://www.rs2.com/company/investor-relations/news-publications/financial-statements>.

Notice of material variance

The Board of Directors notes that the results for the period ended 30 June 2022 vary as compared to the 2022 projected results as published in the Prospectus dated 19 February 2021.

Despite the global slowdown, inflation has been revised upwards over the last few months. With higher-than-expected inflation, global financial conditions are becoming tighter. This broadened inflation reflects an impact in cost pressures experienced by our customers. The resulting synchronised monetary tightening across countries is historically unprecedented, where the Group has noted several forecast revenues which did not materialise as yet, during the first six months of 2022.

As previously communicated, the Group experienced delays in expected revenues from business operations due to unforeseen circumstances and dependence on third party deliverables. Despite this, cost savings were prioritised Group-wide, in order to allow the Group to successfully turn around its financial performance into a respectable profit, which, as at June 2022 not only meets but exceeds projected results.

Tel: +356 2134 5857
Email: info@rs2.com
Vat: MT 1185-5601
Co. Reg No: C25829

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

RS2.COM



RS2 progress and outlook for 2022 and beyond

RS2 continues to maintain its momentum and the execution of its strategy in all business segments within the Group.

During the first half of 2022, despite turmoil in Ukraine and higher-than-expected inflation forcing customers to slow down on planned investments, the Group successfully entered new markets in various regions. This has allowed the Group to expand its processing business, which will materialise in terms of transaction volumes in Quarter 3 and Quarter 4 of 2022, along with a new client installation expected to kick-off in Quarter 3 of 2022, which will result in increased volume generation as from Quarter 1 2023.

Regional Business Update

Latin America (LATAM):

The Group has extended its presence in LATAM adding Mexico, Chile and Peru to the current operational markets, namely Brazil, Columbia and Argentina. In these markets, the Group will be offering transaction processing services to Payment Service Providers (PSPs), banks and financial institutions that provide acquiring services to online merchants, as well as stores and shops. Integration with local schemes within these markets will enhance the acceptance rate of customers, which in turn, mitigates fraud risk and increases their profitability.

Asia Pacific (APAC):

The Group added Australia as a new market and will be launching this business in Quarter 3 of 2022. This is deemed to be another major market in APAC, in addition to the current operative ones, namely Philippines, Singapore, Malaysia, Indonesia and Vietnam. In the Philippines, the Group is in the process of adding InstaPay, the real-time online local scheme, which will allow us to offer services to banks in the market, using its own developed application (APP) for fund transfers, bill payments and other banking services.

North America (US):

The US subsidiary continues to ramp up its client base with respect to the Independent Sales Organisations (ISO) processing business, whereby it has added another three ISOs to its portfolio. The team in the US has successfully managed to get this line of business streamlined, allowing the Company to start focusing on new businesses in the market.

Today, the US subsidiary manages two business lines, the ISO processing business and the enterprise business. For the enterprise business, the Company manages the client's private infrastructure on the cloud, in addition to providing processing and other services. On the other hand, with respect to the ISO processing business, the Company runs the business on the Group's dedicated cloud.

In addition to the aforementioned business lines, the subsidiary in the US is diversifying its services to enable its offering of issuing processing services in the US market by partnering

Tel: +356 2134 5857
Email: info@rs2.com
Vat: MT 1185-5601
Co. Reg No: C25829

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

RS2.COM



with a technology company that services over 400 community banks and other customers in the US. Together with this selected partner, the Company will start these processing operations in Quarter 1 of 2023. This partnership and respective operations signify an important achievement in the US, as this represents a new line of business, as well as a new revenue stream, over and above the acquiring business.

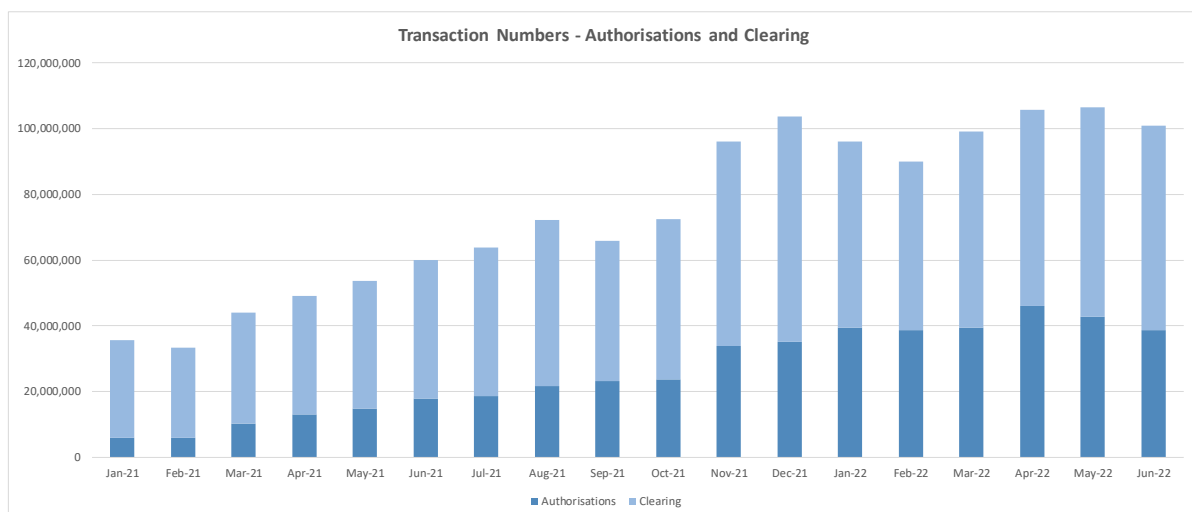
This subsidiary company is also embarking on a new market segment of Payment Facilitators (PayFac) and Independent Software Vendors (ISVs). This market segment fits perfectly within the Group's strategy due to the nature of their business being global and more technology driven. The team in the US is complemented with the right skills to pursue these business lines and engagement with potential customers is well underway.

RS2 Smart Processing:

This Company continues to increase its transaction processing volumes through its existing customers as well as new customers. In fact, during the first half of 2022, an additional 4 clients were contracted. One of these new implementations is currently in its pilot phase, while a second one is expected to be complete in Quarter 3 of 2022. The remaining two implementations are expected to go live by the end of 2022.

Through the Group's recent investments in quality relationships with new premium clients, the Group has continued to increase the volume of transactions processed on the RS2 platform. This increase is expected to progress together with the gradual increase from existing clients and the on-boarding of various new clients.

Through the chart below, one can easily note the progression of the transactions which RS2 is processing on behalf of its clients:



Tel: +356 2134 5857
Email: info@rs2.com
Vat: MT 1185-5601
Co. Reg No: C25829

**RS2 Software p.l.c, RS2 Buildings,
Fort Road, Mosta MST 1859, Malta, Europe**

RS2.COM



RS2 Financial Services:

In May 2021 RS2 announced that its German subsidiary RS2 Financial Services GmbH was granted an E-Money Institution (EMI) license by the German Federal Financial Supervisory Authority (BaFin). As an EMI institution, the Group is now able to provide direct acquiring and issuing services to merchants, and is expected to start offering such services from Quarter 3 2022.

The licensed subsidiary has successfully achieved a pivotal milestone in obtaining its principle membership from VISA as well as MasterCard. While the initial focus of this subsidiary company will be on the German market, the company has already passported its license to Austria.

The product offering in this business line will cover international credit and debit card acquiring services, Girocard acquiring services (being a German interbank network and debit card service), Point of Sale (POS) terminals, as well as Payment Service Provider (PSP) and Network Service Provider (NSP) services. The Group is ramping up its business by initially cross selling acquiring services into the portfolio of RS2 Zahlungssysteme GmbH (a Group company). Eventually this is expected to increase through organic growth via on-boarding of sales partners, and potential selective add-on acquisitions of profitable merchant portfolios.

This new acquiring business line will provide the Group with a higher profit margin as compared to the processing model which has been applied so far. Under processing agreements, a fixed fee is charged per transaction related to processing services, while on the other hand, an acquiring model will allow the Group to charge a percentage of the transaction value rather than just the fixed fee, resulting in more favourable profit margins.

Technology and Products update

The Group has been enhancing its BankWORKS® platform by adding additional capabilities and products in order to provide a variety of services to its clients and business partners. The team continues to add more Application Programming Interface (APIs) to allow easy and quick integration with the BankWORKS® platform, thereby successfully increasing its service offering and capabilities.

Having a newly developed reconciliation product will provide customers with a powerful, fully digitalised tool, which will enable customers to reconcile their business and eliminate any manual operations, thereby improving efficiency as well as profitability.

RS2 will be launching a new generation of its Merchant Portal later on this year. This new generation portal will include more capabilities to enable the Group to provide merchants with access to their data, together with digitalising their chargeback, reporting and service management.

Tel: +356 2134 5857

Email: info@rs2.com

Vat: MT 1185-5601

Co. Reg No: C25829

**RS2 Software p.l.c, RS2 Buildings,
Fort Road, Mosta MST 1859, Malta, Europe**

RS2.COM



The infrastructure team at RS2 has successfully improved the processing capacity of our platform in order for the performance of such platform running on the cloud to be at an optimal level. These improvements allow the Group to process 33million clearing transactions per hour (this would be 31billion transactions per year and 4.2k authorisations per second). This achievement will lower the requirement of infrastructure costs per transaction which will benefit the Group's profit as the number of processed transactions continues to increase.

RS2's Security team continue to actively improve the security of our network and infrastructure, which is necessary in order to mitigate any cyber threat to our environment, thus ensuring secure transactions for all our clients.

Other updates

Across Europe, technology companies and financial firms are divesting its workforce having to reduce staff complements and slowing down hiring as global economic growth slows due to higher interest rates, red-hot inflation and an energy crisis in Europe. RS2, however, continues to place efforts in recruiting and engaging high profile professional officers. In line with the Group's strategy for growth of its operations, in March 2022, it was announced that the Group recruited a Group Chief Commercial Officer. Such effort and investment in the recruitment and growth of the RS2 workforce enables the Group to attract the right customers as well as strategic partners.

The Group's increase in marketing expenses over prior years, are reflective of the ongoing efforts in marketing and sales initiatives where the Group is placing particular focus on widening the base of its US and European clients. So much so, the Group's presence at Money2020 and ETA fairs in Europe and the US, amongst others, continues to strengthen RS2's presence among Financial Technology's (Fintech) power players.

Amplifying the repercussions resulting from the COVID-19 pandemic, the Russian invasion of Ukraine has magnified the slowdown in the global economy which is entering what could become a prolonged period of feeble growth and elevated inflation. This affects the Group's forecast for the year by way of customers delaying projects or stretching investments to bare minimum.

While the Group continues to grow, as it has successfully done over these past years, irrespective of market turbulences, it is expecting lower revenue than that previously published. Reasons for this, other than those directly correlated to the market instability, include the following:

- In line with their agreement, a long standing client decided to execute the terms of their agreement and take the development of their licensed software in-house;
- Even though the US ISO business has launched, the ramp up is happening slower than anticipated, negatively impacting revenues and profits for the US subsidiary;

Tel: +356 2134 5857

Email: info@rs2.com

Vat: MT 1185-5601

Co. Reg No: C25829

**RS2 Software p.l.c, RS2 Buildings,
Fort Road, Mosta MST 1859, Malta, Europe**

RS2.COM



- RS2 Financial Services will be launching its full services in Quarter 3 leading to respective delays in ramping up this business line.

While revenue generated might be lower than that originally anticipated in the published forecast numbers, results from operating activities are strong despite the unprecedented events that have been shaking the financial markets and economy over the last couple of years. Costs group wide are managed tightly and wisely, ensuring that funds spent improve all aspects of the business operations.

Taking all aforementioned matters into consideration, the Group is expecting to generate revenue of approximately €41m for the year ended 31 December 2022. This will lead to an estimated Profit Before Tax of €3.9m and EBITDA of €6.8m.

Despite the negative market developments and respective impact on the Group's development, RS2 continues to develop positively and will be in an excellent position to outperform the market once the economy recovers.

Unquote.

A handwritten signature in blue ink, appearing to read 'Ivan Gatt'.

Dr. Ivan Gatt
Company Secretary
24 August 2022