# Reports and Accounts

## December 31, 2019

doValue

Registered office: Viale dell'Agricoltura, 7 – 37135 Verona
Share capital € 41,280,000.00 fully paid-up

Parent Company of the doValue Group
Registered in the Register of Industries of Verona, Tax I.D. no. 00390840239 and VAT registration no. 02659940239
www.doValue.it

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# Governing and control bodies

## BOARD OF DIRECTORS

**Chairman** Giovanni Castellaneta (2) (4)

**CEO** Andrea Mangoni

**Directors**
Francesco Colasanti (6)
Emanuela Da Rin
Giovanni Battista Dagnino (3) (2)
Nunzio Guglielmino (4) (5)
Giovanni Lo Storto (1) (6)
Giuseppe Ranieri
Marella Idi Maria Villa

## BOARD OF STATUTORY AUDITORS

**Chairman** Chiara Molon (7)

**Standing auditors**
Francesco Mariano Bonifacio (8)
Nicola Lorito (8)

**Alternate auditors**
Sonia Peron
Roberta Senni

## AUDIT FIRM

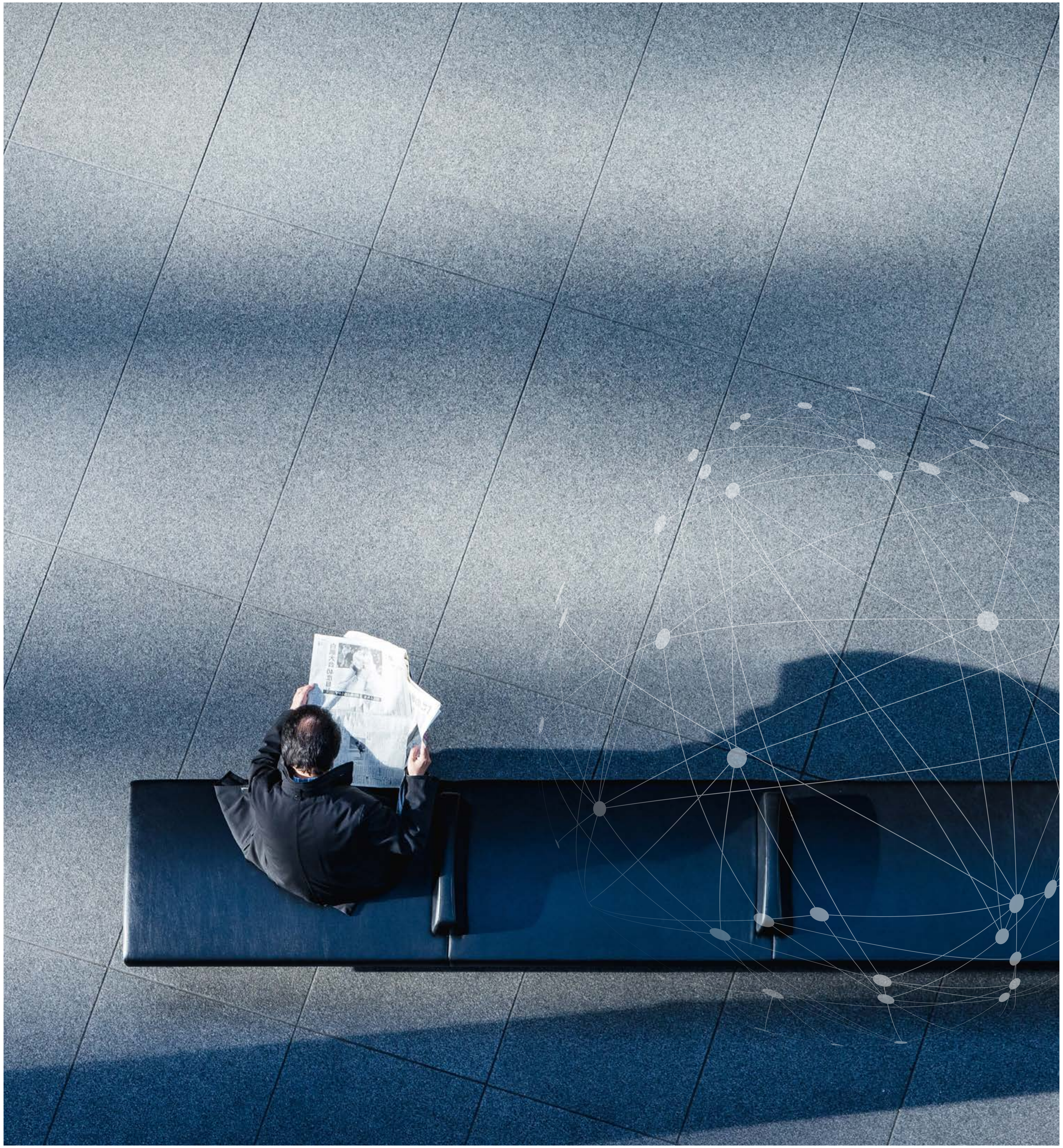
EY S.P.A.

**Financial Reporting Officer** Elena Gottardo

(1) Chairman Appointments Committee
(2) Member Appointments Committee
(3) Chairman Risk and Operations with Related Parties Committee
(4) Member Risk and Operations with Related Parties Committee
(5) Chairman Remuneration Committee
(6) Member Remuneration Committee
(7) Chairman Supervisory Committee, pursuant to Legislative Decree 231/2001
(8) Member Supervisory Committee, pursuant to Legislative Decree 231/2001

# doValue: a story of growth and diversification

| | | |
|---|---|---|
| € 3 bn | 2000 | UniCredit acquires Mediovenezie Banca and Fortress joins Italfondiario |
| | 2003 | Mediovenezie Banca is appointed UGC Banca |
| | 2004 | Fortress acquires 100% of Italfondiario |
| € 38 bn | 2006 | Italfondiario incorporates the company managing the non-performing loans of the Intesa SanPaolo Group |
| € 58 bn | 2008 | UGC Banca merges with Capitalia Service to create UCCMB (Unicredit Credit Management Bank) |
| € 85 bn | 2014 | Italfondiario acquires a 45% stake in BCC Gestione Crediti |
| € 85 bn | 2015 | Fortress acquires 100% of UCCMB from UniCredit |
| € 81 bn | 2016 | doBank (previously UCCMB) acquires Italfondiario |
| € 77 bn | 2017 | doBank is listed in the Milan Stock Exchange at 9€/share |
| € 82 bn | 2018 | doBank enter the Greek servicing market and announces the acquisition of Altamira Asset Management, active in Spain, Portugal and Cyprus |
| € 131,5 bn | 2019 | **June**: doBank gives up its banking license and takes on the name doValue, completes the acquisition of Altamira and becomes market leader in Southern Europe<br>**December**: doValue announces the acquisition of Greek servicer FPS Loans and Credits Claim Management (completion by May 2020) |





# DIRECTORS' REPORT

The summary results and financial and economic performance indicators are based on data drawn from the accounts and are used in management reporting for the monitoring of management performance. They are also consistent with the most commonly used metrics in the sector, ensuring the comparability of the figures presented.

# 0.1

# Company Operations

doValue operations are focused on the provision of services to banks and investors through the entire lifecycle of loans and real estate assets ("Servicing").

doValue is the main servicer in southern Europe, with managed assets of over 130 billion (gross book value) and a track record spanning 20 years.
Its business model is independent, aimed at all banks and investors in the market, and asset light: it does not require direct investments in loans portfolios.

doValue activities are remunerated through long term contracts based on a commission structure that requires, on the one hand, a fixed commission established in relation to the managed assets and, on the other, a variable commission linked to the performance of servicing activities, such as collections from NPL receivables or the sale of customers' real estate assets.

Both doValue and Italfondiario, in their capacity as special servicers, have received the following ratings: "RSS1-/CSS1-" by Fitch Ratings, and "Strong" by Standard & Poor's. The Servicer Ratings assigned to doValue and Italfondiario are the highest of those assigned to Italian operators in the sector and were assigned to doValue and Italfondiario in 2008, before any other operator in this sector in Italy. In 2017, doValue was also assigned a Master Servicer rating of "RMS2/CMS2/ABMS2" by Fitch Ratings, which was also improved by a notch in 2019.





over **130** billion
of managed assets

**20**
years of track record

# 0.2

# General Macroeconomic Scenario

In 2019 the global economy developed at a moderate pace, with a forecasted GDP growth of around 3%, the lowest in the period after the 2008-2009 financial crisis and down on the April 2019 estimates of 3.3%[1]. Growth in the Eurozone was limited, up by only 1.2% in 2019, while the performance of the global GDP in 2020 will be severely impacted by the negative effects on the real economy of the COVID-19 virus, which are difficult to predict at the time of approval of these financial statements.

The factors limiting growth include trading tensions and international geopolitical, the weakness of the manufacturing industry, the volatility of various emerging economies due to idiosyncratic factors, and the structural limitation of mature economies, such as the low growth in productivity and the ageing of the population.

The loans and real estate assets servicing sector in Europe in 2019 has continued to benefit from the support of high volumes of assets transfers and higher use of outsourcing services by banks and financial institutions, supported by the continuous and growing interest of international investors.

In fact, according to the EBA, in the last year European banks reduced their exposure to non-performing assets by around € 100 billion[2], to a value of 636 billion which brought the NPL ratio to an average value of 3% compared to 3.6% in the previous year. However, 12 countries in Europe continue to record above average NPL ratios and to hold 54% of non-performing assets, compared to 23% of the overall banking assets. NPL ratios remain at 39% in Greece, 21% in Cyprus and 9% in Italy and Portugal, in confirmation of the high concentration of non-performing assets in a limited number of countries, in particular in southern Europe. The fact that from 2014 to 2019 transfers of non-performing assets of over € 220 billion in Italy, € 160 million in Spain and over € 50 billion in Portugal, Greece and Cyprus is an example of the relevance of southern Europe for the servicing sector.

In the middle term, it is foreseeable that servicing activities will continue to benefit from the initiatives adopted at Community level in support of a more proactive management of NPLs by financial institutions. In addition to the measures introduced by the European Commission in 2018 and the proposed directive for the servicing sector (2018/0063/COD), the volume of transactions relating to non-performing loans portfolios continues to be supported, in Italy, by the Guarantee for the Securitisation of Non-Performing Loans (GACS) and, in Greece, by the Hercules scheme, modelled on the lines and able to facilitate an acceleration of the market activity from 2020.

(1) Source: International Monetary Fund, World Economic Outlook, October 20
(2) Source: Deloitte, Deleveraging Europe 2019





## HIGHLIGHTS

(€/000)

| Key data of the income statement | 12/31/2019 | 12/31/2018 | Change Amount | Change % |
|---|---|---|---|---|
| Gross revenues | 211,464 | 167,132 | 44,332 | 27% |
| Net revenues | 193,886 | 147,653 | 46,233 | 31% |
| Operating expenses | (124,654) | (95,140) | (29,514) | 31% |
| EBITDA | 69,232 | 52,513 | 16,719 | 32% |
| EBITDA Margin | 33% | 31% | 2% | 6% |
| Non-recurring items included in EBITDA(1) | (2,089) | (2,578) | 489 | (19)% |
| EBITDA excluding non-recurring items | 71,321 | 55,091 | 16,230 | 29% |
| EBITDA Margin excluding non-recurring items | 34% | 33% | 1% | 3% |
| EBT | 62,349 | 64,079 | (1,730) | (3)% |
| Profit (loss) of assets sold and held for sale net of tax | 29% | 38% | (9)% | (24)% |
| Profit (loss)for the period | 38,507 | 43,374 | (4,867) | (11)% |
| Profit (loss) for the period excluding non-recurring items | 56,884 | 45,070 | 11,814 | 26% |

(1) Non-recurring items in Operating expenses include the costs connected with the acquisition of Altamira Asset Management S.A. and those incurred for the Group reorganisation project.

| Key data of the balance sheet | 12/31/2019 | 12/31/2018 | Change Amount | Change % |
|---|---|---|---|---|
| Cash and liquid securities | 73,102 | 37,997 | 35,105 | 92% |
| Financial assets | 209,614 | 34,796 | 174,818 | n.s. |
| Equity investments | 236,237 | 40,664 | 195,573 | n.s. |
| Property, plant and equipment | 15,691 | 2,266 | 13,425 | n.s. |
| Intangible assets | 439 | 686 | (247) | (36)% |
| Tax assets | 60,784 | 83,069 | (22,285) | (27)% |
| Trade receivables | 89,406 | 63,269 | 26,137 | 41% |
| Assets held for sale | 10 | 1,821 | (1,811) | (99)% |
| Other assets | 9,458 | 4,611 | 4,847 | 105% |
| **TOTAL ASSETS** | **694,741** | **269,179** | **425,562** | **n.s.** |
| Financial liabilities: due to banks | 364,627 | - | 364,627 | n.s. |
| Other financial liabilities | 53,992 | - | 53,992 | n.s. |
| Trade payables | 16,492 | 16,530 | (38) | (0)% |
| Tax liabilities | 3,018 | 6,473 | (3,455) | (53)% |
| Employee Termination Benefits | 7,199 | 4,806 | 2,393 | 50% |
| Provisions for risks and charges | 18,801 | 17,203 | 1,598 | 9% |
| Liabilities held for sale | - | 6,532 | (6,532) | (100)% |
| Other liabilities | 11,940 | 6,561 | 5,379 | 82% |
| **TOTAL LIABILITIES** | **476,069** | **58,105** | **417,964** | **n.s.** |
| **NET EQUITY** | **218,672** | **211,074** | **7,598** | **4%** |

In order to facilitate an understanding of its performance and financial position, a number of alternative performance measures ("Key Performance Indicators" or "KPIs") have been selected by the Company. They are summarised in the following table.

(€/000)

| KPIs | 12/31/2019 | 12/31/2018 |
|---|---|---|
| Gross Book Value (EoP) – Italy – in millions of Euro - | 78,796 | 34,997 |
| Collections – Italy – in millions of Euro - | 1,893 | 1,318 |
| Collections - Italy - Stock | 1,794 | 1,318 |
| LTM Collections / GBV EoP - Italy - Overall | 2.40% | 3.80% |
| LTM Collections / GBV EoP - Italy - Stock | 2.47% | 3.80% |
| Staff FTE / Total FTE | 29% | 37% |
| LTM Collections / Servicing FTE - Italy | 2.73 | 3.53 |
| EBITDA | 69,232 | 52,513 |
| Non-recurring items (NRIs) included in EBITDA | (2,089) | (2,578) |
| EBITDA excluding non-recurring items | 71,321 | 55,091 |
| EBITDA Margin | 33% | 31% |
| EBITDA Margin excluding non-recurring items | 34% | 33% |
| Profit (loss) for the period | 38,507 | 43,374 |
| Non-recurring items included in Profit (loss) for the period | (18,377) | (1,696) |
| Profit (loss) for the period excluding non-recurring items | 56,884 | 45,070 |
| Earnings per share (Euro) | 0.48 | 0.63 |
| Earnings per share excluding non-recurring items (Euro) | 0.86 | 0.65 |
| Capex | 47 | 1,239 |
| EBITDA - Capex | 69,185 | 51,274 |
| Net Working Capital | 72,914 | 46,739 |
| Net Financial Position | (129,060) | 44,529 |

## Key

**Gross Book Value EoP Italy**: indicates the book value of the loans under management at the end of the reference period for the entire perimeter of Italy, gross of any potential write-downs due to expected loan losses.

**Italy collections**: used to calculate commissions for the purpose of determining revenues from the servicing business, they illustrate the ability to extract value from the portfolio under management. At the end of the period this indicator coincides with recoveries for the 12 months prior to the reference date (known as LTM collections)

**Italy - Stock collections**: these are the recoveries for the 12 months prior to the reference date of the managed Stock.

**LTM collections/GBV (Gross Book Value) EoP Italy**: the ratio between total gross LTM collections and the period-end GBV of the total portfolio under management. This indicator represents another metric to analyse collections for the period and LTM in absolute terms, calculated in relation to the effectiveness of rate of collections, i.e. the yield of the portfolio under management in terms of annual collections and, consequently, commission income from management activities.

**LTM collections Stock/GBV (Gross Book Value) EoP Stock Italy**: the ratio between total gross LTM collections on the portfolio of Stock managed at the start of the reference year and the end-period GBV of that portfolio. Compared with the previous indicator LTM collections/GBV, this metric represents the effectiveness rate of recoveries normalised for the entry of new portfolios during the reference year.

**Staff FTE/Total FTE**: the ratio between the number of employees who perform support activities and the total number of the Company's full-time employees. The indicator illustrates the efficiency of the operating structure and the focus on management activities.

**LTM collections/Servicing FTE Italy**: the ratio between total LTM collections and the number of employees who perform servicing activities. The indicator provides an indication of the collection efficiency rate, i.e. the yield of each individual employee specialised in servicing activities in terms of annual collections on the portfolio under management.

**EBITDA and Profit for the period**: together with other relative profitability indicators, they highlight changes in operating performance and provide useful information regarding the Company's economic performance. These are the data calculated at the end of the period.

**Non-recurring items**: items generated in extraordinary operations such as corporate restructurings, acquisitions or disposals of entities, start-up of new businesses or entry into new markets.

**EBITDA excluding non-recurring items**: EBITDA attributable to core operations, excluding all items connected with extraordinary operations such as corporate restructurings, acquisitions or disposals of entities, start-up of new businesses or entry into new markets.

**EBITDA Margin**: obtained by dividing EBITDA by the Gross Revenues.

**EBITDA Margin excluding non-recurrent elements**: obtained by dividing Ordinary EBITDA by Gross Revenues.

**Earnings per share**: calculated as the ratio between net profit of the Group for the period attributable to the Shareholders of the Parent Company and the number of outstanding shares at the end of the period.

**Earnings per share excluding non-recurring items**: the calculation is the same as that for earnings per share, but the numerator is equal to net profit of the Group for the period attributable to the Shareholders of the Parent Company excluding non-recurring items net of the associated tax effects.

**EBITDA – Capex**: calculated as EBITDA net of investments in fixed capital, property, plant and equipment and intangible and financial assets ("Capex"). Together with other relative profitability indicators, it highlights changes in operating performance and provides an indication on the Company's ability to generate cash.

**Net Working Capital**: this is represented by receivables for fees invoiced and accruing, net of payables to suppliers for invoices accounted for and falling due in the period.

**Net Financial Position**: this is calculated as the sum of cash, cash equivalents and highly-liquid securities, net of amounts due to banks for loans and due to customers for the current accounts opened with the Company.



# 0.3

# Results as at December 31, 2019

## PERFORMANCE

(€/000)

| | 12/31/2019 | 12/31/2018 | Change | Change % |
|---|---|---|---|---|
| NPL revenues | 192,831 | 145,183 | 47,648 | 33% |
| Co-investment revenues | 564 | 911 | (347) | (38)% |
| Ancillary and other revenues | 18,069 | 21,038 | (2,969) | (14)% |
| **Gross revenues** | **211,464** | **167,132** | **44,332** | **27%** |
| NPL Outsourcing fees | (14,227) | (17,646) | 3,419 | (19)% |
| Ancillary Outsourcing fees | (3,351) | (1,833) | (1,518) | 83% |
| **Net revenues** | **193,886** | **147,653** | **46,233** | **31%** |
| Staff expenses | (85,119) | (58,426) | (26,693) | 46% |
| Administrative expenses | (39,535) | (36,714) | (2,821) | 8% |
| *o.w.: IT* | (19,178) | (11,637) | (7,541) | 65% |
| *o.w.: Real Estate* | (3,819) | (8,180) | 4,361 | (53)% |
| *o.w.: SG&A* | (16,538) | (16,897) | 359 | (2)% |
| **Operating expenses** | **(124,654)** | **(95,140)** | **(29,514)** | **31%** |
| **EBITDA** | **69,232** | **52,513** | **16,719** | **32%** |
| **EBITDA margin** | **33%** | **31%** | **2%** | **6%** |
| Non-recurring items included in EBITDA | (2,089) | (2,578) | 489 | (19)% |
| **EBITDA excluding non-recurring items** | **71,321** | **55,091** | **16,230** | 29% |
| EBITDA Margin excluding non-recurring items | 34% | 33% | 1% | 3% |
| Net write-downs on property, plant, equipment and intangible assets | (4,709) | (587) | (4,122) | n.s. |
| Net provisions for risks and charges | (7,194) | 734 | (7,928) | n.s. |
| Net write-downs of loans | 820 | 959 | (139) | (14)% |
| **EBIT** | **58,149** | **53,619** | **4,530** | **8%** |
| Net income (loss) on financial assets and liabilities measured at fair value | 1,231 | 418 | 813 | n.s. |
| Financial interest and commissions | 2,969 | 10,042 | (7,073) | (70)% |
| **EBT** | **62,349** | **64,079** | **(1,730)** | **(3)%** |
| Non-recurring items included in EBT | (10,125) | - | (10,125) | n.s. |
| EBT excluding non-recurring items | 72,474 | 64,079 | 8,395 | 13% |
| Income tax for the period | (23,842) | (20,705) | (3,137) | 15% |
| **PROFIT (LOSS) FOR THE PERIOD** | **38,507** | **43,374** | **(4,867)** | **(11)%** |
| Non-recurring items included in Profit (loss) for the period | (18,377) | (1,696) | (16,681) | n.s. |
| Profit (loss) for the period excluding non-recurring items | 56,884 | 45,070 | 11,814 | 26% |
| **Earnings per share (in Euro)** | **0.48** | **0.63** | **(0.15)** | **(24)%** |
| *Earnings per share excluding non-recurring items (Euro)* | *0.86* | *0.65* | *0.21* | 32% |

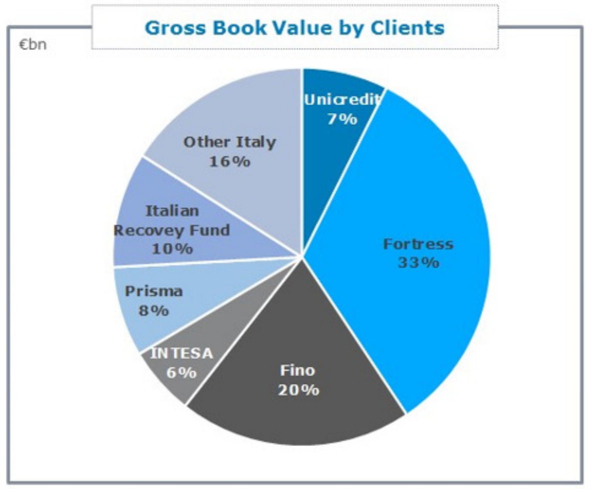
Non-recurring items included below EBITDA refer to (i) termination incentive plans that have therefore been reclassified from personnel expenses, and (ii) income taxes mainly referred to the cancellation of deferred tax assets following the change in the rate as part of the debanking process.

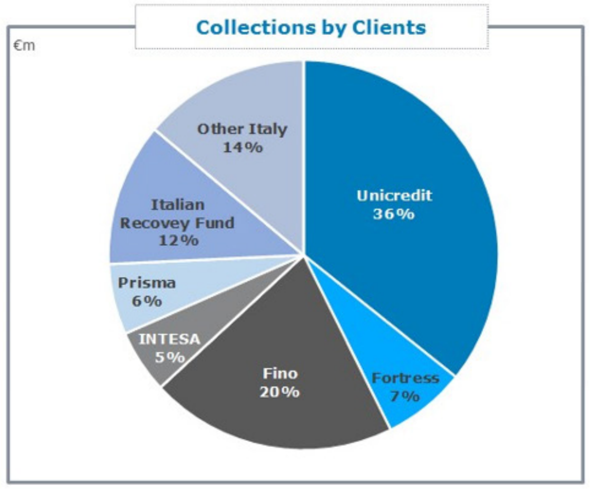
The table shows the reclassified statement of doValue S.p.A. as at December 31, 2019, compared to the same as at December 31, 2018.

## Portfolio under management

At the end of 2019 the Managed Portfolio (GBV) of doValue S.p.A. was of € 78.8 billion, down compared to € 82.2 billion at the end of 2018.

The charts below represent the composition of the managed portfolio and collections in terms of diversification by main customers:




During the year, the managed portfolio took over new mandates for € 6 billion, signed in the second half of 2019, which include new banks and investors. To be noted among the new mandates are the flows from existing contracts with UniCredit and new managed portfolios from UBI, Carige and Iccrea.

In 2019 the collections of doValue S.p.A. amounted to € 1.9 billion, down by 3% compared to € 2.0 billion in 2018. The trend is linked to the lower managed GBV (from € 82.2 billion to € 78.8 billion) and the impact of the structuring of a significant securitisation transaction of real estate assets owned by a Group customer, which significantly limited activities on some positions in the third quarter of the year.

## Performance

In 2019 doValue recorded Gross Revenues of € 211.5 million, up by +27% compared to € 167.1 million in 2018, mainly thanks to corporate re-organisation which involved the partial demerger from Italfondiario to doValue (formerly doBank S.p.A.) of its "servicing" operations, as well as the transfer from doValue (formerly doBank S.p.A.) to Italfondiario of its "master servicing" operations, all with effect as from January 1, 2019.

**Servicing revenues from NPL assets**, of € 192.8 million, showed an increase of 33% compared with 2018, thanks to what was referred to at the point above.

Among **revenues from co-investment**, the contribution of the income generated by the two ABSs securities, Romeo SPV and Mercuzio Securitisation, is not very significant at € 564 thousand (€ 911 thousand in 2018).

The impact of the above mentioned corporate reorganisation operation is reflected with the opposite sign in the item **revenues from ancillary products and minor activities**, which recorded a decrease of 14% compared to 2018. The main changes in this section are due on the one hand to lower revenues for services invoiced to the Group's Subsidiaries





and to lower recovery costs of the doValue Hellas operations, whose business unit was transferred in April 2019 to a newly acquired servicer, so determining the establishment of doValue Hellas. On the other hand, the introduction of new contracts, such as those with BCC Ge.Cre. and BNL JV, deriving from the business unit demerged from Italfondiario, together with the general revenues generated by a securitisation transaction finalised in the last quarter, partially mitigated the effects on the ancillary revenue total, which in any case accounted for 9% of the Company's total gross revenue.

(€/000)

| | 12/31/2019 | 12/31/2018 | Change Amount | Change % |
|---|---|---|---|---|
| NPL Servicing revenues | 192,831 | 145,183 | 47,648 | 33% |
| Co-investment revenues | 564 | 911 | (347) | (38)% |
| Ancillary and other revenues | 18,069 | 21,038 | (2,969) | (14)% |
| **Gross revenues** | **211,464** | **167,132** | **44,332** | **27%** |
| NPL Outsourcing fees | (14,227) | (17,646) | 3,419 | (19)% |
| Ancillary Outsourcing fees | (3,351) | (1,833) | (1,518) | 83% |
| **Net revenues** | **193,886** | **147,653** | **46,233** | **31%** |

**Net revenues**, of € 193.9 million in 2019, increased by 31% compared to € 147.7 million in 2018. Compared to the previous, in 2019 year commission expense for NPLs recorded a reduction of 19%, in line with the objective of reducing the use of outsourced services.

(€/000)

| | 12/31/2019 | 12/31/2018 | Change Amount | Change % |
|---|---|---|---|---|
| Staff expenses | (85,119) | (58,426) | (26,693) | 46% |
| Administrative expenses | (39,535) | (36,714) | (2,821) | 8% |
| *o.w.: IT* | *(19,178)* | *(11,637)* | *(7,541)* | *65%* |
| *o.w.: Real Estate* | *(3,819)* | *(8,180)* | *4,361* | *(53)%* |
| *o.w.: SG&A* | *(16,538)* | *(16,897)* | *359* | *(2)%* |
| **Operating expenses** | **(124,654)** | **(95,140)** | **(29,514)** | **31%** |
| **EBITDA** | **69,232** | **52,513** | **16,719** | **32%** |
| *o.w: Non-recurring items included in EBITDA* | *(2,089)* | *(2,578)* | *489* | *(19)%* |
| *o.w: EBITDA excluding non-recurring items* | *71,321* | *55,091* | *16,230* | *29%* |

**Operating expenses** amounted to about €124.7 million, inclusive of €2.1 million of non-recurring elements, an increase of 31% compared with the same period of 2018, essentially linked to the growth in the workforce numbers and the increased IT costs in support of business activities, a direct consequence of the above mentioned corporate action with Italfondiario. Both these effects are only partially offset by the introduction of the new IFRS 16 accounting standard, which introduced a different accounting treatment of leasing costs.

As in 2018, operating expenses for 2019 also included **certain non-recurring items**, which have been reported as adjustments of EBITDA in order to facilitate a comparison between periods and clarify the Company's structural profitability.

These non-recurring items, which were already present in 2018, amounted to €2.1 million and are broken down as follows:
(i) for 70% of the total, costs related to the acquisition of the servicer Altamira Asset Management, charges not capitalised on the value of the purchase of the equity investment;
(ii) for the remaining 30%, to the reorganisation project required by the 2018-2020 Business Plan, which includes the de-banking process, a greater focus on servicing UTPs and the rationalisation of Altamira business processes.

**EBITDA excluding non-recurring items** recorded a growth of 29%, reaching € 71.3 million (€55.1 million in 2018) and a margin of 34% of revenues, up 1 percentage point with respect to the comparison period.

EBITDA amounted to €69.2 million, up by 32% compared to €52.5 million in 2018.

The Company **EBIT** amounted to €58.1 million compared with € 53.6 million in 2018 (+8%). The reduction in this percentage essentially reflects the greater depreciation and amortisation expenses of tangible and intangible assets (as a consequence of the application of the above mentioned IFRS 16 standard) and the greater provisions for termination incentives. **EBT** amounted to € 62.3 million against € 64.1 million for the same period in the previous year (-3%), in line with the greater financial expense linked with the loan underwritten for the acquisition of Altamira Asset Management.

(€/000)

| | 12/31/2019 | 12/31/2018 | Change Amount | Change % |
|---|---|---|---|---|
| **EBITDA** | **69,232** | **52,513** | **16,719** | **32%** |
| Net write-downs on property, plant, equipment and intangibles assets | (4,709) | (587) | (4,122) | n.s. |
| Net provisions for risks and charges | (7,194) | 734 | (7,928) | n.s. |
| Net write-downs of loans | 820 | 959 | (139) | (14)% |
| **EBIT** | **58,149** | **53,619** | **4,530** | **8%** |
| Net income (loss) on financial assets and liabilities measured at fair value | 1,231 | 418 | 813 | n.s. |
| Net financial interest and commissions | 2,969 | 10,042 | (7,073) | (70)% |
| **EBT** | **62,349** | **64,079** | **(1,730)** | **(3)%** |

EBT includes non-recurring items of €10.1 million in respect of termination incentive costs, as well as the non-recurring costs included in administrative costs indicated above.

**Net adjustments on property, plant and equipment and intangible assets** amounted to € 4.7 million, with a significant increase compared with 2018 (+€ 4.1 million).
Furthermore, the balance includes the greater portion of depreciation and amortisation expense on the right of use deriving from the new accounting treatment of lease agreements following the introduction of the IFRS 16 accounting standard.

**Net provisions** for risks and charges amounted to €7.2 million, a significant increase compared with the 2018 financial year (+€7,9 million). These are mainly provisions for termination incentives paid to employees (€ 4.3 million) who had joined the Company's reorganization plan, in line with the objectives of the 2020-2022 Business Plan introduced on November 8, 2019.

(€/000)

| | 12/31/2019 | 12/31/2018 | Change Amount | Change % |
|---|---|---|---|---|
| **EBT** | **62,349** | **64,079** | **(1,730)** | **(3)%** |
| Income tax for the period | (23,842) | (20,705) | (3,137) | 15% |
| **Profit (Loss) for the period** | **38,507** | **43,374** | **(4,867)** | **(11)%** |
| Non-recurring items included in Profit (loss) | (18,377) | (1,696) | (16,681) | n.s. |
| **Profit (loss) for the period excluding non-recurring items** | **56,884** | **45,070** | **11,814** | **26%** |
| **Earnings per share (in Euro)** | **0.48** | **0.63** | **(0.15)** | **(24)%** |
| Earnings per share excluding non-recurring items (Euro) | 0.86 | 0.65 | 0.21 | 32% |





**Income taxes** for the period amounted to €23.8 million and include a non-recurring component linked to the reduction in the value of deferred tax assets as a result of the "debanking" of doValue, which led to a reduction in tax rate applied. Income taxes also include the accrued DTA charge for the period, equal to €1.8 million.

Excluding non-recurring items, taking account of the associated tax effects, net profit came to €56.9 million, an increase of 26% compared with 2018. Including non-recurring items, the **Net profit for the period** came to €38.5 million.

## SEGMENT REPORTING

Please refer to the Consolidated Financial Statements of the doValue Group for Segment Reporting as at December 31, 2019 because, as the Group uses the Region as an analysis parameter, the representation for these Financial Statements corresponds to the results reported in the consolidated financial statements for Italy.

# 0.4

# **Financial** position

## INTRODUCTION

The balance sheet figures have been reclassified from a management perspective, which is more in line with the representation of the reclassified income statement and the net financial position of the Company.

At the end of this Directors' Report, in accordance with the same presentation approach for the income statement, we have included a reconciliation between the balance sheet reported below and the schedule given in the financial statements.

(€/000)

| | 12/31/2019 | 12/31/2018 | Change Amount | Change % |
|---|---|---|---|---|
| Cash and liquid securities | 73,102 | 37,997 | 35,105 | 92% |
| Financial assets | 209,614 | 34,796 | 174,818 | n.s. |
| Equity investments | 236,237 | 40,664 | 195,573 | n.s. |
| Property, plant and equipment | 15,691 | 2,266 | 13,425 | n.s. |
| Intangible assets | 439 | 686 | (247) | (36)% |
| Tax assets | 60,784 | 83,069 | (22,285) | (27)% |
| Trade receivables | 89,406 | 63,269 | 26,137 | 41% |
| Assets held for sale | 10 | 1,821 | (1,811) | (99)% |
| Other assets | 9,458 | 4,611 | 4,847 | 105% |
| **TOTAL ASSETS** | **694,741** | **269,179** | **425,562** | n.s. |
| Financial liabilities: due to banks | 364,627 | - | 364,627 | n.s. |
| Other financial liabilities | 53,992 | - | 53,992 | n.s. |
| Trade payables | 16,492 | 16,530 | (38) | (0)% |
| Tax liabilities | 3,018 | 6,473 | (3,455) | (53)% |
| Employee Termination Benefits | 7,199 | 4,806 | 2,393 | 50% |
| Provisions for risks and charges | 18,801 | 17,203 | 1,598 | 9% |
| Liabilities held for sale | - | 6,532 | (6,532) | (100)% |
| Other liabilities | 11,940 | 6,561 | 5,379 | 82% |
| **TOTAL LIABILITIES** | **476,069** | **58,105** | **417,964** | n.s. |
| Share capital | 41,280 | 41,280 | - | 0% |
| Reserves | 139,069 | 126,666 | 12,403 | 10% |
| Treasury shares | (184) | (246) | 62 | (25)% |
| Profit (loss) for the period | 38,507 | 43,374 | (4,867) | (11)% |
| **NET EQUITY** | **218,672** | **211,074** | **7,598** | 4% |
| **TOTAL LIABILITIES AND NET EQUITY** | **694,741** | **269,179** | **425,562** | **n.s.** |

**Cash** and **cash equivalents** include liquidity on current accounts. There was an increase of 92% compared to December 31, 2018 mainly due to the positive effects of current ordinary operations which, from 2019, include the servicing operations acquired from Italfondiario, and the collection of the extraordinary dividend income from the Altamira subsidiary, partially offset by the payment of dividends to Company shareholders and the reimbursement of amortisation rates of the banking facility.





**Financial assets** rose from €34.8 million to €209.6 million, an increase of €174.8 million. In particular:

- the fair value assets with impact on the Income Statement include, under the item "Debt securities", doValue's limited activity of co-investment in notes issued by securitisation vehicles of NPL portfolios managed exclusively by doValue in the capacity of special servicer;
- assets at amortised cost accounted for most of the above mentioned increase, which is mainly justified by the loan provided to Altamira, and for € 13.0 million essentially for the opportunistic and non-recurring investment on a non-performing loans portfolio.

(€/000)

| | 12/31/2019 | 12/31/2018 | Change Amount | Change % |
|---|---|---|---|---|
| **At fair value through profit or loss** | **33,542** | **34,204** | **(662)** | **(2)%** |
| Debt securities | 28,923 | 28,964 | (41) | (0)% |
| CIUs | 4,619 | 5,240 | (621) | (12)% |
| **At amortized cost** | **176,072** | **592** | **175,480** | **n.s.** |
| L&R with banks other than current accounts and demand deposits | 140,533 | 592 | 139,941 | n.s. |
| L&R with customers | 35,539 | - | 35,539 | n.s. |
| **TOTAL** | **209,614** | **34,796** | **174,818** | **n.s.** |

**Equity Investments** of €236.2 million which, in the context of the re-organisation and internationalisation plan of the doValue Group, break down in the period as follows:

- an increase of € 231.3 million for the acquisition of a controlling interest in Altamira (of around 85%),
- a decrease of € 21.2 million relating to the subsidiary Italfondiario, resulting from the combined effect of the demerger of the business unit to doValue and by the two transfer transactions carried out, respectively on January 1 and August 1, 2019, relative to the Master Servicing and UTP Portfolio operations as previously illustrated;
- a decrease of € 15.0 million for the closure of the non-operating company New Bank SC S.p.A.;
- an increase of € 0.5 million for the acquisition of the entire share capital in doValue Hellas.

The increase of €13.4 million in **property**, **plant** and **equipment** reflects the recognition of rights of use deriving from initial application of IFRS 16, as described in the **Accounting Policies section** of the Notes on the Financial Statements.

**Tax assets and liabilities** as at December 31, 2019 are summarised in the following tables:

(€/000)

| | 12/31/2019 | 12/31/2018 | Change Amount | Change % |
|---|---|---|---|---|
| **Current tax assets** | - | - | - | **n.s.** |
| Tax credits | - | - | - | n.s. |
| **Deferred tax assets** | **60,604** | **79,969** | **(19,365)** | **(24)%** |
| Write-down on loans | 49,330 | 55,406 | (6,076) | (11)% |
| Tax losses carried forward in the future | 5,874 | 19,397 | (13,523) | (70)% |
| Property, plants and equipment / Intangible assets | 101 | 168 | (67) | (40)% |
| Other assets / liabilities | 112 | 205 | (93) | (45)% |
| Provisions | 5,187 | 4,793 | 394 | 8% |
| **Other tax receivables** | **180** | **3,100** | **(2,920)** | **(94)%** |
| **TOTAL** | **60,784** | **83,069** | **(22,285)** | **(27)%** |

**Deferred tax assets** posted an overall decrease of €19.4 million, whose most significant changes reflecting the combination of the following factors:

- the cancellation of €9.2 million of receivables mainly related to the write-down of receivables and tax losses carried forward originated by doValue following the rate change produced by the "debanking" process. For more information please refer to Note 5 of the Notes on the Financial Statements;
- €10.8 million decrease from the reversal of the DTA deriving from previous tax losses against the Company's taxable amount for the period.

(€/000)

| | 12/31/2019 | 12/31/2018 | Change Amount | Change % |
|---|---|---|---|---|
| Taxes for the period | 866 | 4,594 | (3,728) | (81)% |
| Deferred tax liabilities | 20 | 1 | 19 | n.s. |
| Other tax payables | 2,132 | 1,878 | 254 | 14% |
| **TOTAL** | **3,018** | **6,473** | **(3,455)** | **(53)%** |

**Financial liabilities – due to banks** of € 364.6 million as at December 31, 2019 include the value of the 5-year loan (Facility Loan) obtained for the acquisition of Altamira. The initial nominal amount of the credit line is €415 million, at a variable rate of 1.75% as at December 31, 2019, linked to 6-month Euribor and a number of financial covenants.

Other **financial liabilities** at the end of 2019 are detailed below:

(€/000)

| | 12/31/2019 | 12/31/2018 | Change Amount | Change % |
|---|---|---|---|---|
| Lease liabilities | 13,814 | - | 13,814 | n.s. |
| Earn-out | 39,811 | - | 39,811 | n.s. |
| Hedging derivatives | 367 | - | 367 | n.s. |
| **TOTAL** | **53,992** | **-** | **53,992** | **n.s.** |

Lease liabilities include the discounted value of future lease payments, in accordance with the provisions of IFRS 16, which entered into force as from January 1, 2019.
Other financial liabilities mainly refer to the earn-out connected with the Altamira acquisition and represents a portion of the Altamira acquisition price that will be defined within two years of the date of the agreement, i.e. at the end of December 2020.
All the liabilities indicated were discounted as at December 31, 2019.

As shown in the following table, **provisions for risks and charges** showed an increase of €1.6 million compared to the balances at the end of 2018 mainly as a result of the combination of new allocations and uses and releases of provisions.

(€/000)

| | 12/31/2019 | 12/31/2018 | Change Amount | Change % |
|---|---|---|---|---|
| Legal disputes | 8,580 | 6,995 | 1,585 | 23% |
| Staff expenses | 5,982 | 6,915 | (933) | (13)% |
| Other | 4,239 | 3,293 | 946 | 29% |
| **TOTAL** | **18,801** | **17,203** | **1,598** | **9%** |

The item **Other liabilities** as at December 31, 2019 amounted to € 11.9 million, with an increase of € 5.4 million compared to December 31, 2018 mainly due to entries relative to the demerger of the Italfondiario business unit and by other payables to employees, including € 1.7 million for non-recurrent charges relative to the termination incentives.





## NET WORKING CAPITAL

The following table shows a breakdown of Net working capital as at December 31, 2019 and December 31, 2018.

(€/000)

| | 12/31/2019 | 12/31/2018 |
|---|---|---|
| Trade receivables | 89,406 | 63,269 |
| Trade payables | (16,492) | (16,530) |
| **TOTAL** | **72,914** | **46,739** |

The figure for the year is € 72.9 million, significantly impacted by the demerger of the business unit from Italfondiario.

## NET FINANCIAL POSITION

The following table shows a breakdown of the net financial position, whose current component is positive for all periods reported.

(€/000)

| | | 12/31/2019 | 12/31/2018 |
|---|---|---|---|
| A | Cash | 73,102 | 36,998 |
| B | Liquid securities | - | 999 |
| **C** | **Liquidity (A)+(B)** | **73,102** | **37,997** |
| D | Current bank debts | (79,683) | - |
| E | Deposits from customers | - | 6,532 |
| F | Current loans | 35,539 | - |
| **G** | **Net current financial position (C )+(D)+(E)+(F)** | **28,958** | **44,529** |
| H | Non-current bank debts | (284,944) | - |
| I | Non-current loans | 126,926 | - |
| **L** | **Net financial position (G)+(H)+(I)** | **(129,060)** | **44,529** |

The net financial position as at December 31, 2019 reflects the effect of the outlay linked to the financing used by the Group for the Altamira acquisition, originally for € 415 million, as well as the payment of dividend income of € 36.3 million, in addition to representing the effect of the loan granted by doValue to the same subsidiary, originally for € 184.9 million.



# 0.5

# **Significan events** during the financial period

## New corporate structure and name of the Group

In June 2019, the complex corporate reorganisation was successfully concluded, giving doValue the form of a servicing company governed by Article 115 of the Consolidated Public Security Act (TULPS), thus ceasing to be a banking group. Therefore, doValue sought to achieve greater rationalisation and efficiency for the Group: the project in fact seeks to make its corporate structure consistent with its core business of managing and recovering non-performing loans, unlikely-to-pay assets and real estate. The new Group structure is aligned with industry best practices and enables a more optimal use of its financial resources.

The reorganisation also involved the partial demerger from January 1, 2019 by Italfondiario to doValue (formerly doBank S.p.A.) of its "servicing" operations, as well as the transfer from doValue (formerly doBank S.p.A.) to Italfondiario of its "Master Servicing" operations.
Finally, the debanking process saw the Extraordinary Shareholders' Meeting of March 5, 2019 approve the proposal of the Board of Directors and, consequently, modify the corporate purpose of the Company, which has adopted the name doValue S.p.A. (formerly do Bank S.p.A.).

## Acquisition of Altamira Asset Management

On June 27, 2019 the doValue Board of Directors announced that it had completed the acquisition of an 85% stake in the capital of Altamira Asset Management ("Altamira"). The Santander Group has decided to remain a shareholder of Altamira at 15% by not exercising its co-sale right.

Altamira is a leading servicer of non-performing loans and real estate assets, with a presence in Spain, Portugal, Cyprus and Greece. The combination of doValue and Altamira creates the leader in the credit servicing sector in Southern Europe, with over €650 billion in non-performing assets and attracting strong interest from international investors.

The operation was financed with available cash from doValue and the use of a 5-year bank credit line amounting to €415 million. The structure of the transaction and its main terms are unchanged from those announced to the market on December 31, 2018, the date of the acquisition was announced.

# Agreement for the acquisition of 80% of Eurobank Financial Planning Services (FPS)

On 19 December 2019 doValue signed an agreement with Eurobank Ergasias SA for the acquisition of 80% of Eurobank FPS Loans and Credit Claim Management Company, a servicing company operating in the Greek market, with a management portfolio of around € 27 billion.

The operation also includes the exclusive management of future flows from Early Arrears and NPEs originated by Eurobank in Greece for a period of 10 years, thus consolidating the doValue's role as the strategic long term partner of a systemic bank.

The closing of the operation, following which doValue will become the main servicer in the promising Greek market, is expected by May 2020. It is forecast that the operation will have a positive impact from 2020 on all of doValue's main financial objectives.

# The management of new loan portfolios and real estate assets begins

During 2019, doValue onboarded new loan portfolios and real estate assets valued at over € 13 billion, whose management agreements were signed in the second half of 2018. This amount includes around € 5 billion of new mandates, which derive from the contracted flows with the Group's main customer banks, in particular Unicredit and Santander.

More specifically, the management of portfolios began deriving from agreements with the Iccrea Banking Group, Banca Carige, UBI banca, with the four Greek systemic banks and with leading international investors, which assigned doValue new mandates for the management of loans and real estate assets portfolios, especially in Italy, Spain and Portugal.

# Agreement for loans servicing with Alpha Bank in Cyprus for around € 4.3 billion in addition to future flows

On October 14, 2019 doValue communicated to have reached an agreement with Alpha Bank for the exclusive management of a Cypriot portfolio of NPEs and REOs, with a gross total value of around €4.3 billion, in addition to future flows from NPEs and REOs produced by Alpha in Cyprus.

In detail, the agreement includes:

- The acquisition by the doValue Group of the business unit of the local platform servicing Alpha's NPEs and REOs, instrumental to the implementation of an effective recovery strategy and to achieving an appropriate personnel level;
- The signature of a multi-year servicing contract "Service Level Agreements" for the exclusive management by the doValue Group, with terms in line with the Company's profitability, of a portfolio of REOs and NPEs covered by guarantee, of a gross total value of around € 4.3 billion and composed by a mix of corporate and retail receivables originated by Alpha in Cyprus;
- The exclusive management by the doValue Group of all the future generation of flows from NPEs of Alpha Bank in Cyprus.





The agreement is added to the set of long term contracts with which doValue manages the future production of NPEs from leading financial institutions, which from today includes Alpha Bank in Cyprus as well as Santander in Spain and UniCredit in Italy. Lastly, the partnership reflects the importance of geographic diversification in the southern European Servicing market, one of the key characteristics of the doValue business model.

# Ordinary Shareholders' Meeting

The Shareholders' Meeting of doValue S.p.A. met in ordinary session on April 17, 2019 and approved all items on the agenda, including:

- The separate financial statements of doValue S.p.A. for the year ended as at December 31, 2018, which closed with a net profit of €43,374,465. During the Meeting, the Group's consolidated financial statements for the ended December 31, 2018 were presented, showing a net profit excluding non-recurring items of €52.6 million, +17% on the €45.0 million posted in 2017 (net profit of €50.9 million, +13% on €45.0 million in 2017);
- The distribution of dividends for 2018 of €36,836,956, equal to €0.460, gross of taxes, for each ordinary share, corresponding to 70% of consolidated net profit excluding non-recurring items (70% payout);
- The annual Report on Remuneration and Incentives, the 2019 Incentive Plan based on financial instruments and the Termination Payment Policy.

# 0.6

# **Significan events** after the end of the period

In accordance with the provisions of IAS 10, following the closing date of the period no significant events occurred that would require an adjustment to the results presented in the financial statements for the period.

The significant events occurred after the end of the financial year considered by doValue to be non-adjusting events pursuant to IAS 10 are listed below.

## OUTSOURCING OF FUNCTIONS

In the first three months of the year a project was activated, which is still in a phase of study and analysis, aimed at assessing the opportunity to outsource the Information Technology and Back Office Operations functions to a specialist Business Process Outsourcing operator, also in the light of the Group's progressive international expansion. This initiative has the objective to improve the operational performance of doValue for the purpose of executing evolving projects mainly in Information Technology and achieving financial savings which allow to reduce the Group overall operating expenses and investments for the same level of services and projects carried out, and to allow increased flexibility also to support the synergies foreseen in the integration plan with Altamira.

## CORONAVIRUS OUTBREAK

On January 30, 2020 the World Health Organization declared an international emergency as a consequence of the Coronavirus epidemic, causing the slowdown or suspension of economic and commercial activities in many sectors. Because of this international health emergency there are uncertainties linked to the consequences of the possible economic effects deriving from the diffusion of the coronavirus in the world, in Europe and in Italy which depend, especially, on the duration of the epidemic and on the measures put in place to contain it. It expected, therefore, that the macroeconomic scenarios in the short term would be subject to evolutions and dynamics which at present are not precisely quantifiable.
However, based on the information available as of today, considering the actions already put in place to safeguard the operational continuity and taking into account the type of business of the Company, structurally flexible in respect to the various phases of the economic cycle, as further explained in the following paragraph "Outlook for operations", it is considered that there is no relevant risk today which could lead to the adjustment of the value of assets and liabilities presented in the current report.





# 0.7

# **Outlook** for operations

The update to the 2020-2022 Business Plan, presented on November 8, 2019, outlines a path of organic medium-long term growth based on structural trends in the market for the servicing of loans and real estate assets in southern Europe, an area in which doValue is the market leader.

The current economic situation linked to the effects of Coronavirus, which is not anticipated to translate into structural changes in the sector dynamics, imposes a cautious approach about short term performance, in a context with limited visibility. In particular, despite of the operational continuity of doValue's operations in all its markets, the Company carefully monitors the activity of the judicial system and of public utility services generally together with decisions on banking moratoria and dynamics in the property market able to influence management timelines for loan files and collections.
The Company's seasonality of collections, concentrated on the last quarter of the year, the significant geographical, product and customer diversification and the flexibility of costs, in particular outsourcing costs and employee incentive scheme, represent elements for the mitigation of short-term negative impacts in the expectation of a potential recovery in the third and fourth quarter of the year. It should be noted, moreover, that in the first months of 2020 there has been a positive trend in the growth of NPL flows deriving from long-term contracts with our main banking clients, especially in Italy, to the tune of +17%.
Lastly, it is deemed that the doValue's business model is able to respond to the different phases of the economic cycle with the expansion of GBV under management assets or collections, respectively in a contraction or expansion phase of the same cycle, in accordance with the Company's mission to support banks, investors, companies and private individuals in all stages of credit management, promoting a sustainable development of the financial system. More information on performance in 2020 will be provided during the year.

# 0.8

# Main **risks** and **uncertainties**

In consideration of the activities it performs and the results achieved, the financial position of doValue is adequately scaled to meet its needs.

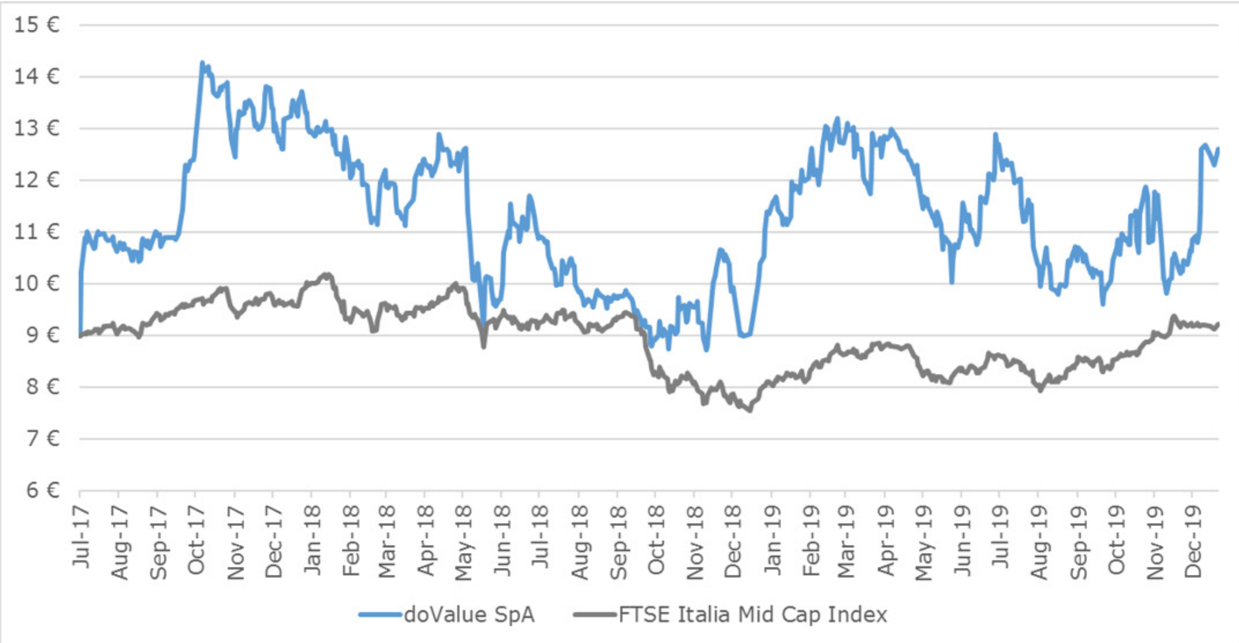
The financial policy pursued is aimed at fostering the stability of the Company, which in view of its operations does not currently or prospectively intend to engage in speculative investment activity.

With regard to the main risks and uncertainties, the current financial markets' situation and the consequences of any economic and financial effects deriving from the spread of the coronavirus inevitably involve elements of uncertainty, even in the presence of stable macroeconomic conditions. doValue believes in any case that at present there are no doubts on business continuity.

# 0.9

# **doValue** shares

DoValue shares were listed on the screen-based stock exchange (MTA) managed by the Italian Stock Exchange on July 14, 2017. The chart below shows the performance of the shares from its listing on the stock market up to February 2019, in relation to the Mid-caps Index of the Stock Exchange in Milan, in which doValue is included.




In the first months of 2020, due to the global outbreak of the Coronavirus pandemic, financial markets, including the key stock indices and doValue shares, recorded high volatility and a significant reduction in value.

From IPO to the end of 2019, doValue shares have outperformed the basket of comparable Italian stocks, with an increase in its share price, from €9 at the time of its listing to €12.3. The interest of investors in the strategic positioning of the group, a leader in a growing and profitable sector, has contributed to this positive performance. The appreciation of the market, both in terms of the organic growth strategy outlined in the Business Plan presented in June 2018 and updated in November 2019, and of the acquisitions of Altamira Asset Management and FPS, the latter announced in December 2019 (closing expected by May 2020) have contributed to this performance. During the period, dividend income of €0.394 and €0.460 per share, relative to the 2017 and 2018 periods respectively, further improved returns for shareholders.

The main statistics on the performance of doValue shares are reported in the table below.





| **Summary data** | Euro | Date |
|---|---|---|
| IPO price | 9,00 | 07/14/2017 |
| Lowest close price | 8,73 | 11/22/2018 |
| Highest close price | 14,27 | 10/18/2017 |
| Last close price of 2019 | 12,30 | 12/31/2019 |
| | | |
| Total number of shares outstanding | 80.000.000 | 12/31/2019 |
| of which treasury shares | 1.164.174 | 12/31/2019 |
| Market cap | 984.000.000 | 12/31/2019 |
| Market cap (excluding treasury shares) | 969.680.660 | 12/31/2019 |

# 0.10

# Other **informations**

## MANAGEMENT AND COORDINATION BY THE PARENT COMPANY

As at December 31, 2019, 25.05% of the doValue shares are owned by its largest shareholder, Avio S.à r.l. reference shareholder, a company incorporated in Luxembourg, affiliated to the Fortress Group which in turn was acquired by Softbank Group Corporation in December 2017. A further 1.83% of doValue shares are held by other investors similarly attributable to Softbank Group Corporation, with an overall stake held by the same of 26.88%.

As at December 31, 2019, the residual 71.67% of the shares were placed on the market and the remaining 1.5% is represented by 1,164,174 treasury shares, measured at cost, for a total of €184 thousand held by doValue.
The majority shareholder does not exercise any management or coordination powers over doValue pursuant to Art. 2497 et seq. of the Civil Code, as it does not issue directives to doValue and, more generally, does not interfere in the management of doValue. Accordingly, the strategic and management policies of the Company and all of its activities in general are the product of the independent self-determination of the corporate bodies and do not involve external management by Avio.
doValue exercises its management and coordination powers over its direct subsidiaries as provided for in the legislation referred to above.

## TRANSACTIONS IN TREASURY SHARES

During the period, the number of treasury shares declined following payments in shares as provided for under the remuneration policies.
At December 31, 2019, doValue held 1,164,174 treasury shares, equal to 1.5% of the total share capital. Their carrying amount is €184 thousand and they are presented in the financial statements as a direct reduction of shareholders' equity under "Treasury shares". The item "Other reserves" includes the associated equity reserve in the same amount.

## RESEARCH AND DEVELOPMENT

During the period the Group continued to invest in a number of technological innovation projects, primarily connected with the credit servicing platform, which are expected to bring a competitive advantage in the future.

## NON-FINANCIAL STATEMENT

Legislative Decree 254 of December 30, 2016 and Legislative Decree 32/2007 require to doValue as a public interest entity (company with listed shares whose size exceeds the minimum thresholds in the decree) to publish each year information on the main risks and uncertainties to which the company is exposed, indicators of non-financial performance relevant to the specific activity of the company, and information on the environment and personnel.
As we did the previous year, doValue has elected the option provided for in the decree to prepare a separate document from this Directors' Report. That document is approved by the Board of Directors and published together with the draft financial statements for the financial year ended at December 31, 2019. This document is made available to the public in the "Investor Relations/Financial Reports and Presentations" section of the corporate website **www dovalue it**.





## REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE

In accordance with the third paragraph of Art. 123 bis of Legislative Decree 58 of February 24, 1998 (the Consolidated Law on Financial Intermediation), a separate report from this Directors' report has been prepared. It has been approved by the Board of Directors and published together with the draft financial statements for the financial year ended at December 31, 2019. This document is made available to the public in the "Governance" section of the corporate website **www doValue it**. Together with that Report, the "Remuneration Report" has also been prepared pursuant to Art. 123 ter of the Consolidated Law.

## TRANSACTIONS WITH RELATED PARTIES

In compliance with the provisions of the "Rules for Transactions with Related Parties" referred to in Consob Resolution no. 17221 of March 12, 2010, as amended, any transaction with related parties and connected persons shall be approved in accordance with the procedure approved by the Board of Directors, whose most recent update was approved at the meeting held on November 7, 2019.
This document is available to the public in the "Governance" section of the company website www.doValue.it.
Please note that the universe of doValue related parties changed near the end of the previous year following the acquisition of the Fortress Investment Group LLC ("Fortress") by SoftBank Group Corp. ("SoftBank" or "SBG"). As a result of the transaction, SBG and its subsidiaries gained ownership of the shares of Fortress, which in turn held Avio S.à r.l., doValue's majority shareholder with voting rights.

With reference to paragraph 8 of art.5 - "Information to the public on operations with related parties" of the Consob Regulations providing dispositions on transactions with related parties (adopted by Consob with resolution no. 17221 of March 12, 2010 and subsequently modified with resolution no. 17389 of June 23, 2010), please note that:

a. on the basis of the Policy in relation to transactions with related parties adopted by the Board of Directors of doValue S.p.A. on November 7, 2019, during 2019 no significant transactions were carried out;
b. during 2019 no transactions with related parties were carried out, as defined pursuant to article 2427, paragraph 22-bis of the Italian Civil Code, at conditions different from normal market conditions, which have significantly influenced the doValue's balance sheet;
c. during 2019 there have been no changes or developments to individual transactions with related parties already described in the last financial statements that have had a significant effect on the doValue's balance sheet or results in the reference period.

For further information on transactions with related parties please refer to the specific section in the Notes to the Financial Statements.

## DISCLOSURE ON THE OPT-OUT OPTION

We inform you that doValue S.p.A. has adopted the simplified rules provided for in Articles 70, paragraph 8, and 71, paragraph 1-bis, of the CONSOB Issuers Regulation no. 11971/1999, subsequently amended, and has therefore exercised the option to derogate from compliance with the obligations to publish the information documents provided for in Articles 70, paragraph 6, and 71, paragraph 1, of that Regulation on the occasion of significant mergers, spin-offs, capital increases through the contribution of assets in kind, acquisitions and sales.

Directors' Report

# STATEMENT RECONCILING THE RECLASSIFIED INCOME STATEMENT AND THE STATUTORY INCOME STATEMENT

(€/000)

| | 12/31/2019 | 12/31/2018 |
|---|---|---|
| **NPL revenues** | **192,831** | **145,183** |
| o.w. Revenue from contracts with customers | 192,831 | 145,183 |
| **Co-investment revenues** | **564** | **911** |
| o.w. Financial (expense)/income | 564 | 911 |
| **Ancillary and other revenues** | **18,069** | **21,038** |
| o.w. Financial (expense)/income | 11 | 46 |
| o.w. Revenue from contracts with customers | 629 | 1,303 |
| o.w. Other revenue | 17,136 | 19,735 |
| o.w. Costs for services rendered | - | (354) |
| o.w. Other operating (expense)/income | 293 | 307 |
| **Gross revenues** | **211,464** | **167,132** |
| **NPL Outsourcing fees** | **(14,227)** | **(17,646)** |
| o.w. Costs for services rendered | (14,226) | (17,212) |
| o.w. Other operating (expense)/income | - | (434) |
| **Ancillary Outsourcing fees** | **(3,351)** | **(1,833)** |
| o.w. Administrative expenses | (2,942) | (1,933) |
| o.w. Other operating (expense)/income | (409) | 100 |
| **Net revenues** | **193,886** | **147,653** |
| **Staff expenses** | **(85,119)** | **(58,426)** |
| o.w. Personnel expenses | (85,135) | (58,426) |
| o.w. Other revenue | 16 | - |
| **Administrative expenses** | **(39,535)** | **(36,714)** |
| **o.w. Personnel expenses** | **(326)** | **(643)** |
| o.w. Personnel expenses - o.w. SG&A | (326) | (643) |
| **o.w. Administrative expenses** | **(40,590)** | **(37,225)** |
| o.w. Administrative expenses - o.w. IT | (19,178) | (11,637) |
| o.w. Administrative expenses - o.w. Real Estate | (3,792) | (8,146) |
| o.w. Administrative expenses - o.w. SG&A | (17,620) | (17,442) |
| **o.w. Other operating (expense)** | **(127)** | **(34)** |
| o.w. Other operating (expense)/income - o.w. Real Estate | (27) | (34) |
| o.w. Other operating (expense)/income – o.w. SG&A | (100) | - |
| **o.w. Other revenue** | **1,543** | **1,188** |
| o.w. Other revenue - o.w. SG&A | 1,543 | 1,188 |
| **o.w. Costs for services rendered** | **(35)** | - |
| o.w. Costs for services rendered - o.w. SG&A | (35) | - |
| *Total "o.w. IT"* | *(19,178)* | *(11,637)* |
| *Total "o.w. Real Estate"* | *(3,819)* | *(8,180)* |
| *Total "o.w. SG&A"* | *(16,538)* | *(16,897)* |
| **Operating expenses** | **(124,654)** | **(95,140)** |
| **EBITDA** | **69,232** | **52,512** |
| **EBITDA margin** | **33%** | **31%** |

(CONT.)

| | 12/31/2019 | 12/31/2018 |
|---|---|---|
| Non-recurring items included in EBITDA | (2,089) | (2,578) |
| EBITDA excluding non-recurring items | 71,321 | 55,091 |
| EBITDA Margin excluding non-recurring items | 34% | 33% |
| **Net write-downs on property, plant, equipment and intangibles** | **(4,709)** | **(587)** |
| o.w. Depreciation, amortisation and impairment | (4,709) | (587) |
| **Net Provisions for risks and charges** | **(7,194)** | **734** |
| o.w. Personnel expenses | (4,334) | (1,357) |
| o.w. Provisions for risks and charges | (2,170) | 2,134 |
| o.w. Other operating (expense)/income | (356) | (43) |
| o.w. Depreciation, amortisation and impairment | (333) | - |
| **Net Write-downs of loans** | **820** | **959** |
| o.w. Financial (expense)/income | - | - |
| o.w. Depreciation, amortisation and impairment | (52) | 51 |
| o.w. Other revenue | 871 | 908 |
| **EBIT** | **58,149** | **53,619** |
| **Net income (loss) on financial assets and liabilities measured at fair value** | **1,231** | **418** |
| o.w. Financial (expense)/income | 1,231 | 418 |
| **Financial interest and commissions** | **2,969** | **10,042** |
| o.w. Financial (expense)/income | (3,876) | - |
| o.w. Costs for services rendered | (55) | (155) |
| Dividends income similar revenue | 6,900 | 10,200 |
| **EBT** | **62,349** | **64,079** |
| Non-recurring items included in EBT | (10,125) | - |
| EBT excluding non-recurring items | 72,474 | 64,079 |
| **Income tax for the period** | **(23,842)** | **(20,705)** |
| o.w. Administrative expenses | (1,819) | (1,913) |
| o.w. Income tax expense | (22,023) | (18,793) |
| **PROFIT (LOSS) FOR THE PERIOD** | **38,507** | **43,374** |

# STATEMENT RECONCILING THE RECLASSIFIED BALANCE SHEET AND THE STATUTORY BALANCE SHEET

(€/000)

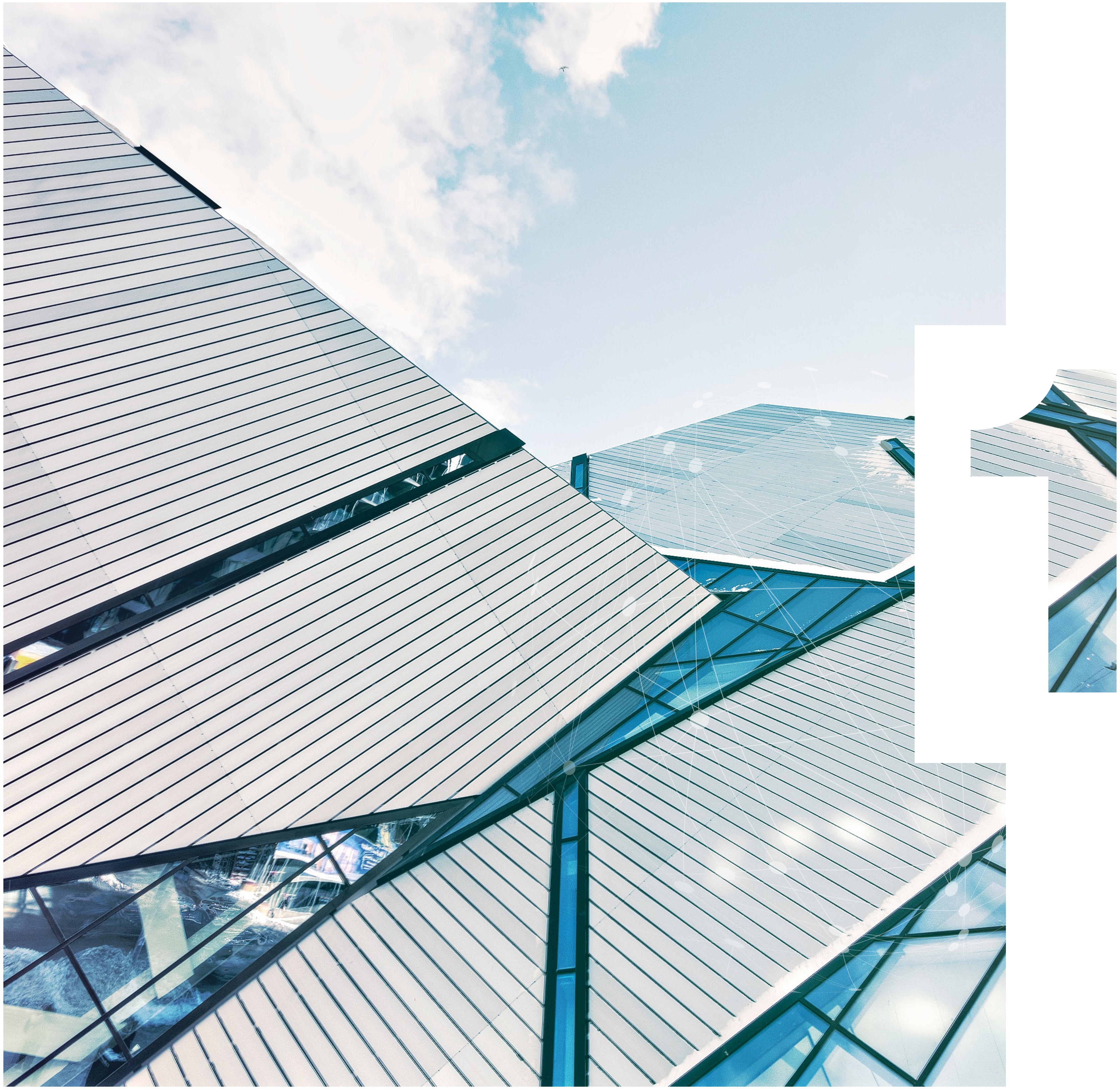
| | 12/31/2019 | 12/31/2018 |
|---|---|---|
| **Cash and liquid securities** | **73,102** | **37,997** |
| Cash and cash equivalents | 73,102 | 36,998 |
| Current financial assets | - | 999 |
| **Financial assets** | **209,614** | **34,796** |
| Non-current financial assets | 174,075 | 34,796 |
| Current financial assets | 35,539 | - |
| **Equity investments** | **236,237** | **40,664** |
| Investments in associates and joint ventures | 236,237 | 40,664 |
| **Property, plant and equipment** | **15,691** | **2,266** |
| Property, plant and equipment | 15,554 | 1,702 |
| Inventories | 137 | 564 |
| **Intangible assets** | **439** | **686** |
| Intangible assets | 439 | 686 |
| **Tax assets** | **60,784** | **83,069** |
| Deferred tax assets | 60,604 | 79,969 |
| Other current assets | 180 | 3,100 |
| **Trade receivables** | **89,406** | **63,269** |
| Trade receivables | 89,406 | 63,269 |
| **Assets held for sale** | **10** | **1,821** |
| Assets held for sale | 10 | 1,821 |
| **Other assets** | **9,458** | **4,611** |
| Other current assets | 9,373 | 4,512 |
| Other non-current assets | 85 | 99 |
| **TOTAL ASSETS** | **694,741** | **269,179** |
| **Financial liabilities: due to banks** | **364,627** | - |
| Loans and other financing non-current | 284,944 | - |
| Loans and other financing current | 79,683 | - |
| **Other financial liabilities** | **53,992** | - |
| Other non-current financial liabilities | 8,910 | - |
| Other current financial liabilities | 45,082 | - |
| **Trade payables** | **16,492** | **16,530** |
| Trade payables | 16,492 | 16,530 |
| **Tax Liabilities** | **3,018** | **6,473** |
| Tax payables | 2,998 | 6,472 |
| Deferred tax liabilities | 20 | 1 |
| **Employee Termination Benefits** | **7,199** | **4,806** |
| Employee benefits | 7,199 | 4,806 |
| **Provision for risks and charges** | **18,801** | **17,203** |
| Provisions for risks and charges | 18,801 | 17,203 |
| **Liabilities held for sale** | **-** | **6,532** |
| Liabilities associated with assets held for sale | - | 6,532 |
| **Other liabilities** | **11,940** | **6,561** |
| Other current liabilities | 11,940 | 6,561 |
| **TOTAL LIABILITIES** | **476,069** | **58,105** |

(CONT.)

| | | |
|---|---|---|
| **Share capital** | **41,280** | **41,280** |
| Share capital | 41,280 | 41,280 |
| **Reserves** | **139,069** | **126,666** |
| Valuation reserve | (249) | 321 |
| Other reserves | 139,318 | 126,345 |
| **Treasury shares** | **(184)** | **(246)** |
| Treasury shares | (184) | (246) |
| **Profit (loss) for the period** | **38,507** | **43,374** |
| Profit (loss) for the period | 38,507 | 43,374 |
| **NET EQUITY** | **218,672** | **211,074** |
| **TOTAL LIABILITIES AND NET EQUITY** | **694,741** | **269,179** |

# FINANCIAL STATEMENTS

## AS AT DECEMBER 31, 2019



# **FINANCIAL**
# STATEMENTS

# BALANCE SHEET

(€)

| | NOTE | 12/31/2019 | 12/31/2018 |
|---|---|---|---|
| **NON-CURRENT ASSETS:** | | | |
| Intangible assets | 1 | 439,125 | 686,281 |
| Property, plant and equipment | 2 | 15,553,511 | 1,701,599 |
| Investments in associates and joint ventures | 3 | 236,236,600 | 40,663,553 |
| Non-current financial assets | 4 | 174,074,874 | 34,796,286 |
| Deferred tax assets | 5 | 60,604,647 | 79,969,219 |
| Other non current assets | 6 | 84,645 | 99,337 |
| **Total non-current assets** | | **486,993,402** | **157,916,275** |
| **CURRENT ASSETS:** | | | |
| Inventories | 7 | 136,701 | 564,258 |
| Current financial assets | 4 | 35,538,834 | 999,000 |
| Trade receivables | 8 | 89,405,563 | 63,268,535 |
| Other current assets | 6 | 9,553,429 | 7,611,987 |
| Cash and cash equivalents | 10 | 73,101,549 | 36,998,237 |
| **Total current assets** | | **207,736,076** | **109,442,017** |
| **Assets held for sale** | **11** | **10,000** | **1,821,252** |
| **TOTAL ASSETS** | | **694,739,478** | **269,179,544** |
| **SHAREHOLDERS' EQUITY:** | | | |
| Share capital | 12 | 41,280,000 | 41,280,000 |
| Valuation reserve | | (248,640) | 321,504 |
| Other reserves | 12 | 139,318,415 | 126,344,526 |
| Treasury shares | 12 | (184,383) | (246,178) |
| Profit (loss) for the period | | 38,506,880 | 43,374,465 |
| **Net Equity** | | **218,672,272** | **211,074,317** |
| **TOTAL NET EQUITY** | | **218,672,272** | **211,074,317** |
| **NON-CURRENT LIABILITIES:** | | | |
| Loans and other financing | 13 | 284,943,549 | - |
| Other non-current financial liabilities | 14 | 8,910,486 | - |
| Employee benefits | 15 | 7,198,943 | 4,805,824 |
| Provisions for risks and charges | 16 | 18,800,691 | 17,202,673 |
| Deferred tax liabilities | 5 | 19,945 | 663 |
| **Total non-current liabilities** | | **319,873,614** | **22,009,160** |
| **CURRENT LIABILITIES:** | | | |
| Loans and other financing | 13 | 79,682,683 | - |
| Other current financial liabilities | 14 | 45,081,578 | - |
| Trade payables | 17 | 16,491,517 | 16,529,793 |
| Tax payables | 9 | 2,998,337 | 6,472,126 |
| Other current liabilities | 18 | 11,939,477 | 6,562,182 |
| **Total current liabilities** | | **156,193,592** | **29,564,101** |
| **Liabilities associated with assets held for sale** | **11** | **-** | **6,531,966** |
| **TOTAL LIABILITIES** | | **476,067,206** | **58,105,227** |
| **TOTAL NET EQUITY AND LIABILITIES** | | **694,739,478** | **269,179,544** |





# INCOME STATEMENT

(€)

| | NOTE | 12/31/2019 | 12/31/2018 |
|---|---|---|---|
| Revenue from contracts with customers | 21 | 193,459,355 | 146,485,527 |
| Other revenue | 22 | 19,565,747 | 21,830,707 |
| **Total revenue** | | **213,025,102** | **168,316,234** |
| Costs for services rendered | 23 | (14,316,665) | (17,721,822) |
| Personnel expenses | 24 | (89,795,154) | (60,425,768) |
| Administrative expenses | 25 | (45,350,699) | (41,071,171) |
| Other operating (expense)/income | 26 | (598,689) | (102,726) |
| Depreciation, amortisation and impairment | 27 | (5,093,759) | (536,008) |
| Provisions for risks and charges | 28 | (2,170,315) | 2,134,005 |
| **Total costs** | | **(157,325,281)** | **(117,723,490)** |
| **OPERATING INCOME** | | **55,699,821** | **50,592,744** |
| Financial (Expense)/Income | 29 | (2,069,557) | 1,374,581 |
| Dividends and ordinary similar income | 30 | 6,900,000 | 10,200,000 |
| **PROFIT (LOSS) BEFORE TAX** | | **60,530,264** | **62,167,325** |
| Income tax expense | 31 | (22,023,384) | (18,792,860) |
| **NET PROFIT (LOSS) FROM CONTINUING OPERATIONS** | | **38,506,880** | **43,374,465** |
| **PROFIT (LOSS) FOR THE PERIOD** | | **38,506,880** | **43,374,465** |

# STATEMENT OF COMPREHENSIVE INCOME

(€)

| | 12/31/2019 | 12/31/2018 |
|---|---|---|
| **PROFIT (LOSS) FOR THE PERIOD** | **38,506,880** | **43,374,465** |
| **Other comprehensive income after tax not recyclable to profit or loss** | | |
| Defined benefit plans | (289,083) | 260,190 |
| **Other comprehensive income after tax recyclable to profit or loss** | | |
| Cash flow hedges | (279,314) | - |
| Financial assets (other than equity instruments) measured at fair value through comprehensive income | (1,747) | 1,747 |
| **TOTAL OTHER COMPREHENSIVE INCOME AFTER TAX** | **(570,144)** | **261,937** |
| **COMPREHENSIVE INCOME** | **37,936,737** | **43,636,402** |

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

### AT 12/31/2019

(€)

| | Balance as at 12/31 previus | Changes in opening balance | Balance as at 1/1 | Allocation of profit from previous year: Reserves | Allocation of profit from previous year: Dividends and other payouts | Changes during the year – Equity transactions: Stock options | Changes during the year – Comprehensive income at the period | Total Net Equity at the period |
|---|---|---|---|---|---|---|---|---|
| Share capital | | | | | | | | |
| a) ordinary shares | 41,280,000 | - | 41,280,000 | - | - | - | - | 41,280,000 |
| b) other shares | - | - | - | - | - | - | - | - |
| Other reserves | | | | | | | | |
| - Reserves from profit and/or withholding tax | 13,978,272 | - | 13,978,272 | - | - | 4,616,244 | - | 18,594,516 |
| - Other | 112,366,254 | - | 112,366,254 | 7,109,985 | - | 1,247,660 | - | 120,723,899 |
| Valuation reserves | 321,504 | - | 321,504 | - | - | - | (570,144) | (248,640) |
| Treasury shares | (246,178) | - | (246,178) | - | - | 61,795 | - | (184,383) |
| **Net profit (loss) for the period** | **43,374,465** | - | **43,374,465** | **(7,109,985)** | **(36,264,480)** | - | **38,506,880** | **38,506,880** |
| **Net equity** | **211,074,317** | - | **211,074,317** | - | **(36,264,480)** | **5,925,699** | **37,936,736** | **218,672,272** |

# STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

## AT 12/31/2018

(€)

| | Balance as at 12/31 previus | | | Allocation of profit from previous year | | Changes during the year | | | | Total Net Equity at the period |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Changes in reserves | Equity transactions | | Comprehensive income at the period | |
| | | Changes in opening balance | Balance as at 1/1 | Reserves | Dividends and other payouts | | Issue of new shares | Stock options | | |
| Share capital | | | | | | | | | | |
| a) ordinary shares | 41,280,000 | - | 41,280,000 | - | - | - | - | - | - | 41,280,000 |
| b) other shares | - | - | - | - | - | - | - | - | - | - |
| Other reserves | | | | | | | | | | |
| - Reserves from profit and/or withholding tax | 10,474,800 | 1,126,135 | 11,600,935 | - | - | - | (30,987) | 2,408,324 | - | 13,978,272 |
| - Other | 105,363,387 | - | 105,363,387 | 3,022,448 | - | 574,302 | | 3,406,117 | - | 112,366,254 |
| Valuation reserves | 1,186,391 | (1,125,242) | 61,149 | - | - | (1,582) | - | - | 261,937 | 321,504 |
| Treasury shares | (277,165) | - | (277,165) | - | - | - | 30,987 | | - | (246,178) |
| **Net profit (loss) for the period** | **33,930,033** | - | **33,930,033** | **(3,022,448)** | **(30,907,585)** | - | - | - | **43,374,465** | **43,374,465** |
| **Net equity** | **191,957,446** | **893** | **191,958,339** | - | **(30,907,585)** | **572,720** | - | **5,814,441** | **43,636,402** | **211,074,317** |

# CASH FLOW STATEMENT – INDIRECT METHOD

(€)

| | 12/31/2019 | 12/31/2018 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| **Profit (loss) before tax** | **60,530,264** | **62,167,325** |
| **Adjustments to reconcile the gross result with the net financial flows:** | **14,881,900** | **(6,401,070)** |
| Capital gains/losses on financial assets/liabilities held for trading and on financial assets/liabilities measured at fair through profit or loss (+/-) | (1,737,525) | (417,514) |
| Depreciation, amortisation and impairment | 5,093,759 | 536,008 |
| Change in net provisions for risks and charges | 7,504,378 | (2,134,005) |
| Financial (Expense)/Income | 4,995,588 | - |
| Profit/loss on equity interests and investments | (6,900,000) | (10,200,000) |
| Costs for share-based payments | 5,925,700 | 5,814,441 |
| **Change in working capital** | **6,618,508** | **11,070,722** |
| Change in trade receivables | 6,776,220 | 15,500,945 |
| Change in trade payables | (157,712) | (4,430,223) |
| **Change in financial assets and liabilities** | **(8,502,249)** | **(28,127,818)** |
| Financial assets measured at fair value through other comprehensive income | 999,000 | 4,150 |
| Other assets mandatorily measured at fair value | 2,484,951 | (10,830,011) |
| Financial assets measured at amortised cost | (11,986,200) | (5,542,858) |
| Financial liabilities measured at amortised cost | - | (11,759,099) |
| **Other changes:** | **(28,931,024)** | **7,188,388** |
| Interests payed | (6,560,632) | - |
| Interests received | 2,640,710 | - |
| Payment of income taxes | (5,093,615) | (2,669,123) |
| Other changes in other assets/other liabilities | (19,917,487) | 9,857,511 |
| **CASH FLOWS GENERATED BY OPERATIONS** | **44,597,399** | **45,897,547** |
| **INVESTING ACTIVITIES** | | |
| Dividends collected on equity investments | 6,900,000 | 10,200,000 |
| Sales of inventories | 408,010 | 333,000 |
| Sales of subsidiaries and business units | 15,000,000 | - |
| Purchases of equity investments | - | (15,000,000) |
| Purchases of property, plant and equipment | (44,602) | (579,876) |
| Purchases of intangible assets | (2,672) | (655,795) |
| Purchases of subsidiaries and business units | (192,709,977) | - |
| **NET CASH FLOWS USED IN INVESTING ACTIVITIES** | **(170,449,241)** | **(5,702,671)** |
| **FUNDING ACTIVITIES** | | |
| Distribution of dividends and other | (36,264,480) | - |
| Loans obtained | 405,747 | (30,333,284) |
| Loans disbursed | (180,740) | - |
| Repayment of loans | (41,500,000) | - |
| Collections of loans disbursed | 18,486,254 | |
| Payment of principal portion of lease liabilities | (3,773,899) | - |
| **NET CASH FLOWS USED IN FUNDING ACTIVITIES** | **161,955,154** | **(30,333,284)** |
| **NET LIQUIDITY IN THE PERIOD** | **36,103,312** | **9,861,592** |
| **RECONCILIATION** | | |
| Cash and cash equivalents | 36,998,237 | 27,136,645 |
| NET LIQUIDITY IN THE PERIOD | 36,103,312 | 9,861,592 |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD** | **73,101,549** | **36,998,237** |

# **NOTES** TO THE FINANCIAL STATEMENTS

# 2

# **ACCOUNTING** POLICIES

# 2.1

# **General** Information

## STATEMENT OF COMPLIANCE WITH INTERNATIONAL ACCOUNTING STANDARDS

These Financial Statements as at December 31, 2019 were prepared in accordance with the IAS/IFRS International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and the related interpretations of the International Financial Reporting Interpretation Committee (IFRIC), endorsed by the European Commission and in force as at December 31, 2019, implemented in our legal system by Legislative Decree no. 38/2005, which exercised the option envisaged by EU regulation no. 1606/2002 on international accounting standards.

In terms of interpretation and support in the application, the following documents were used, although not all of them were approved by the European Commission:

- The Conceptual Framework for Financial Reporting;
- Implementation Guidance, Basis for Conclusions, IFRIC and any other documents prepared by the IASB or the IFRIC to complete the issued accounting standards;
- Interpretations on the application of documents of IAS/IFRS in Italy prepared by the Italian Accounting Body (OIC) and the Italian Banking Association (ABI);
- ESMA (European Securities and Markets Authority) and CONSOB documents that refer to the application of specific provisions in the IFRS.

The financial statements are accompanied by the certification of the Financial Reporting Officer pursuant to Article 154-bis of Legislative Decree 58/1998 and have undergone an audit by the audit firm EY S.p.A. in accordance with Legislative Decree 39 of January 27, 2010.



Accounting policies

## BASIS OF PREPARATION

The financial statements were prepared using the euro as the currency of account, in accordance with Article 5, paragraph 2, of Legislative Decree 38/2005, and consist of:

- the **financial statements**, which include the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity and the statement of cash flows (prepared using the "indirect method");
- the **Notes to the Financial Statements**;

and are accompanied by the **Directors' Report**.

The amounts stated are expressed in thousands of euros unless otherwise specified.

Following the conclusion of the debanking process in June 2019 reported in the significant events of the Report on Operations, the Company abandoned the formats and the related rules for completion provided for in Bank of Italy Circular no. 262/2005 and has therefore shifted its presentation to schedules in line with the framework established by IAS 1.
The comparative figures for performance and financial position at December 31, 2018 are set out below with a reconciliation between the current new approach to representing the financial statements with the corresponding tables of balance sheet and income statement presented in the Reports and Accounts as at December 31, 2018.

# RECONCILIATION OF THE CURRENT BALANCE SHEET AND THE BALANCE SHEET UNDER CIRCULAR 262/05 – COMPARATIVE FIGURES AT DECEMBER 31, 2018

(€/000)

| ASSETS | | | 12/31/2018 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| **Intangible assets** | | | **686** |
| | 100A | *o.w. Intangible assets* | 686 |
| | | o.w. Goodwill | - |
| **Property, plant and equipment** | | | **1,702** |
| | 90A | *o.w. Property, plant and equipment* | 784 |
| | 130A | *o.w. Other assets - o.w. Improvements on goods of third party* | 918 |
| **Investments in associates and joint ventures** | | | **40,664** |
| | 70A | *o.w. Equity investments* | 40,664 |
| **Non-current financial assets** | | | **34,796** |
| | 20A | *o.w. Financial assets measured at fair value through profit or loss* | 34,203 |
| | 40Aa | *o.w. Financial assets measured at amortised cost a) Loans and receivables with banks* | 578 |
| | 40Ab | *o.w. Financial assets measured at amortised cost b) Loans and receivables with customer* | 15 |
| **Deferred tax assets** | | | **79,969** |
| | 110A | *o.w. Tax assets* | 79,969 |
| **Other Non-current assets** | | | **99** |
| | 130A | *o.w. Other assets: other accrued income and prepaid expenses* | 99 |
| | | **TOTAL NON-CURRENT ASSETS** | **157,916** |
| **CURRENT ASSETS** | | | |
| **Inventories** | | | **564** |
| | | *o.w. Property, plant and equipment used in the business: Other inventories* | 564 |
| **Current financial assets** | | | **999** |
| | 30A | *o.w. Financial assets measured at fair value through comprehensive income* | 999 |
| **Trade receivables** | | | **63,269** |
| | 130A | *o.w. Other assets - Trade receivable - invoices issued and to be issued* | 63,269 |
| **Tax assets** | | | **-** |
| | 110A | *o.w. Tax assets* | - |
| **Other current assets** | | | **7,612** |
| | 130A | *o.w. Other assets: tax items* | - |
| | 130A | *o.w. Other assets: other accrued income and prepaid expenses* | 7,612 |
| **Cash and cash equivalents** | | | **36,998** |
| | 10A | *Cash and cash equivalents* | 2 |
| | 40Aa | *o.w. Financial assets measured at amortised cost a) Loans and receivables with banks* | 36,996 |
| | | **TOTAL CURRENT ASSETS** | **109,442** |
| **Assets held for sale** | | | **1,821** |
| | 120A | *Non-current assets and disposal groups held for sale* | 1,821 |
| | | **TOTAL ASSETS** | **269,179** |

*(segue)*

(€/000)

| SHAREHOLDERS' EQUITY AND LIABILITIES | | | 12/31/2018 |
|---|---|---|---|
| **Share capital** | | | **41,280** |
| | 170 | *Share capital* | 41,280 |
| **Valuation reserve** | | | **322** |
| | 120 | *Valuation reserves* | 322 |
| **Other reserves** | | | **126,344** |
| | 150P | *Reserves* | 126,344 |
| **Treasury shares** | | | **(246)** |
| | 180 | *Treasury shares (-)* | (246) |
| **Net profit (loss) for the period** | | | **43,374** |
| | 200P | *Net profit (loss) for the period (+/-)* | 43,374 |
| | | **TOTAL EQUITY** | **211,074** |
| **NON-CURRENT LIABILITIES** | | | |
| **Loans and other financing** | | | **-** |
| | 10Pa | *o.w. Financial liabilities: a) Due to banks* | - |
| | 10Pb | *o.w. Financial liabilities measured at amortised cost b) Due to customers* | - |
| **Other non-current financial liabilities** | | | **-** |
| | 10Pb | *o.w. Financial liabilities measured at amortised cost b) Due to customers* | - |
| **Employee benefits** | | | **4,806** |
| | 90P | *Employee termination benefits* | 4,806 |
| **Provisions for risks and charges** | | | **17,203** |
| | 100P | *Provisions for risks and charges* | 17,203 |
| **Deferred tax liabilities** | | | **1** |
| | 60P | *Tax liabilities* | 1 |
| | | **TOTAL NON-CURRENT LIABILITIES** | **22,010** |
| **CURRENT LIABILITIES** | | | |
| **Loans and other financing** | | | **-** |
| | 10Pa | *o.w. Financial liabilities: a) Due to banks* | - |
| | 10Pb | *o.w. Financial liabilities measured at amortised cost b) Due to customers* | - |
| **Trade payables** | | | **16,530** |
| | 80P | *o.w. Other liabilities - Trade liabilities - invoices received and to be received* | 16,530 |
| **Tax payables** | | | **6,472** |
| | 60P | *o.w. Tax liabilities* | 4,594 |
| | 80P | *o.w. Other liabilities tax liabilities* | 1,878 |
| **Other current liabilities** | | | **6,561** |
| | 80P | *o.w. Other liabilities - Other liabilities due to employees* | 6,561 |
| | | **TOTAL CURRENT LIABILITIES** | **29,563** |
| **Liabilities associated with assets held for sale** | | | **6,532** |
| | 70P | *o.w. Liabilities associated with non-current assets and disposal groups held for sale* | 6,532 |
| | | **TOTAL LIABILITIES** | **58,105** |
| | | **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | **269,179** |

## RECONCILIATION OF THE CURRENT INCOME STATEMENT AND THE INCOME STATEMENT UNDER CIRCULAR 262/05 – COMPARATIVE FIGURES AT DECEMBER 31, 2018

(€/000)

| | | 12/31/2018 |
|---|---|---|
| **Revenue from contracts with customers** | | **146,486** |
| 40 | o.w. Fee and commission income | 146,486 |
| **Other revenue** | | **21,831** |
| 230 | o.w. Other operating expense and income | 21,831 |
| | **TOTALE REVENUES** | **168,317** |
| **Costs for services rendered** | | **(17,722)** |
| 50 | o.w. Fee and commission expense | (17,722) |
| **Personnel expenses** | | **(60,426)** |
| 190a | o.w. Administrative costs: a) Staff expenses | (60,426) |
| **Administrative expenses** | | **(41,071)** |
| 190b | o.w. Administrative costs: b) Other administrative expense | (41,071) |
| **Other operating (expense)/income** | | **(103)** |
| 230 | o.w. Other operating expense and income | (103) |
| **Depreciation, amortisation and impairment** | | **(536)** |
| 210 | Impairment/write-backs on property, plant and equipment | (191) |
| 220 | Impairment/write-backs on intangible assets | (165) |
| 230 | o.w. Other operating expense and income | (231) |
| 130 | Net losses/recoveries on impairment for credit risk | 51 |
| 100 | Gains (losses) on disposal and repurchase of: | - |
| **Provisions for risks and charges** | | **2,134** |
| 200 | Net provisions for risks and charges | 2,134 |
| | **TOTAL COSTS** | **(117,724)** |
| | **OPERATING INCOME** | **50,593** |
| **Financial (expense)/income** | | **1,375** |
| 10 | o.w. Interest income and similar revenues | 961 |
| 20 | o.w. Interest expense and similar charges | (1) |
| 110 | Gains and losses on financial assets/liabilities at fair value through profit or loss | 415 |
| **Profit (loss) of equity investments** | | **10,200** |
| 250 | Profit (Loss) of equity investments | - |
| 280 | Gains (losses) on disposal of investments | - |
| 70 | Dividend income and similar revenue | 10,200 |
| | **PROFIT (LOSS) BEFORE TAX** | **62,168** |
| **Income tax expense** | | **(18,794)** |
| 300 | Income tax expense from continuing operations | (18,794) |
| | **NET PROFIT (LOSS) FROM CONTINUING OPERATIONS** | **43,374** |
| **Net income (expense) of assets held for sale** | | **-** |
| 320 | Profit (loss) after tax from discontinued operations | - |
| | **NET PROFIT (LOSS) FOR THE PERIOD** | **43,374** |





The financial statements were prepared on a going concern basis in accordance with the provisions of IAS 1, and in compliance with the principles of accrual accounting, the relevance and materiality of accounting information and the prevalence of economic substance over legal form and with a view to fostering consistency with future presentations.

The accounting policies adopted in these financial statements of the Company at December 31, 2019 for the recognition, measurement and derecognition of assets and liabilities and the recognition of costs and revenues were updated from those adopted in the preparation of the financial statements as at December 31, 2018 following the entry into force as from January 1, 2019, of the new international accounting standard IFRS 16 – “Leases”.

Please see the discussion in the sections “Effects of first-time adoption of IFRS 16”.

## SUBSEQUENT EVENTS

In accordance with the provisions of IAS 10, no significant events occurred that would require an adjustment to the results presented in the financial statements after the financial year ended.

The significant events that occurred after the balance sheet date that the doValue considers to be non-adjusting events pursuant to IAS 10 are listed below.

# Outsourcing of functions

In the first three months of the year a project was activated, which is still in a phase of study and analysis, aimed at assessing the opportunity to outsource the Information Technology and Back Office Operations functions to a specialist Business Process Outsourcing operator, also in the light of the Group’s progressive international expansion. This initiative has the objective to improve the operational performance of the Group for the purpose of executing evolving projects mainly in the Information Technology area and of achieving financial savings which allow to reduce the Group overall operating expenses and investments for the same level of services and projects carried out and to allow increased flexibility also to support the synergies foreseen in the integration plan with Altamira.

# Coronavirus outbreak

On 30 January 2020 the World Health Organization (WHO) declared an international public health emergency due to the spread of the coronavirus, which is causing slowdowns or business and commercial interruptions in many sectors. Because of this international health emergency there are uncertainties on the consequences of the possible economic impacts deriving from the spread of the coronavirus in the world, in Europe and in Italy. These depend, in particular, on the duration of the infection and on the measures adopted for its containment. It is, therefore, expected that short-term macroeconomic scenarios will be subject to developments and dynamics that are not yet precisely quantifiable.
The doValue Group considers this a non-adjusting event subsequent to the closure of the financial year pursuant to IAS 10.
With regard to the information specified by paragraph 125 of IAS 1, which requires the company to express hypothesis relating to the future and to other main causes of uncertainty in the estimates at the date of closure of the financial year such as to present a relevant risk to cause significant adjustments to the accounting values of assets and liabilities within the following financial year, in the light of the information available to us at present, taking into consideration the interventions already carried out aimed at guaranteeing operational continuity and taking into account the type of business carried out by the Group, structurally flexible with respect to the various stages of the economic cycle, it is deemed that at present there is no relevant risk to cause adjustments to the accounting values of assets and liabilities recognised in these financial statements. With particular reference to the intangible assets in the financial statements, deriving from the merger operation relative to the acquisition of the company Altamira Asset Management, in fact, current internal sensitivity analyses confirm, also in the event of a contraction of profitability expectations in the short term, the sustainability of the values recognised in the financial statements and that no elements can be identified at present such as to indicate a possible loss of value.

## OTHER MATTERS

# Risks and uncertainties associated with the use of estimates

The application of accounting policies sometimes involves the use of estimates and assumptions that affect the amounts recorded in the financial statements and the disclosures regarding contingent assets and liabilities. For the purposes of the assumptions underlying estimates, we consider all information available at the date of preparation of the financial statements and any assumptions considered reasonable in the light of past experience and current conditions in the financial markets.
More specifically, estimation processes were adopted to support the carrying amount of certain items recognised in the financial statements at December 31, 2019, as required by accounting standards. These processes are essentially based on estimates of future recoverability of the values recognised and were conducted on a going concern basis. The findings of these processes supported the carrying amounts recognised at December 31, 2019. Estimates and assumptions are reviewed regularly.
In view of the presence of uncertainty in the macroeconomic and market environment, the assumptions made, even if reasonable, might not hold in future scenarios in which the Company may operate. Accordingly, future results may differ from the estimates made for the purpose of preparing the financial statements, with the consequent probable need to make adjustments that currently cannot be foreseen or estimated to the carrying amount of the assets and liabilities recognised in the financial statements. Given the current uncertainty in the macroeconomic scenario, in particular following the occurrence of the Covid-19 pandemic, these estimates and valuations are therefore difficult and include inevitable elements of uncertainty, even in the presence of stable macroeconomic conditions.





The following sections discuss the key accounting policies for the purposes of providing a true and fair representation of the Company's financial position and performance, both with regard to the materiality of the values in the financial statements and the considerable judgement required in performing the assessments.

### Estimation of accruing servicing revenues and the effects of the application of servicing contracts

Sales revenues associated with servicing contracts for the recovery of receivables managed on an agency basis for third parties are recognised on an accruals basis based on the activities carried out by the Company from time to time, using management IT procedures and complex accounting processes that take account of the different contractual terms of each agency agreement. Servicing agreements contain numerous clauses specifying the rights and duties of doValue in relations with the participating companies, which can generate income on the one hand and contingent liabilities on the other connected with the possibility of non-performance of contractual obligations.
The amount of the variable consideration estimated is included in the transaction price in whole or in part only to the extent that it is highly probable that when the uncertainty associated with the variable consideration is subsequently resolved, a significant downward adjustment of the amount will not occur of the cumulative revenues recorded.
At end of the financial year, revenues accrued in the period that have not yet been manifestly accepted by the customer are recognised. Depending on the terms of contract and the established practice, that acceptance may take the form of the issuance of an invoice or an explicit notice.
At the date of the preparation of these financial statements, the portion of servicing revenues without such manifest acceptance amounted to 62% of total amounts to be invoiced at December 31, 2019 and it amounts to 21% of the combined "Total Revenues" of the income statement. In addition, any certain or contingent liabilities must be prudentially determined in order to assess compliance with the obligations set out in the servicing agreement, taking due account of natural differences in interpretation of contractual clauses in the context of actual recovery operations.

### Determination of the fair value of financial assets

In the presence of financial instruments not listed on active markets or illiquid and complex instruments, it is necessary to adopt appropriate valuation processes that require the use of a certain degree of judgement concerning the choice of valuation models and the related input parameters, which may sometimes not be observable on the market.
A degree of subjectivity is present in the valuation on whether it is possible to observe or not certain parameters and the consequent classification in correspondence with the levels of fair value hierarchy.
With particular reference to valuation methods and the unobservable inputs that may be used in fair value measurements, please see the section Information on fair value.

### Estimation of the recoverability of deferred tax assets

The Company has significant deferred tax assets mainly arising from temporary differences between the date on which certain business costs are recognised in the income statement and the date on which the same costs can be deducted. Deferred tax assets are written down to the extent that they are deemed unrecoverable given the outlook for performance and the resulting expected taxable income, taking due account of tax legislation, which allows those assets to be converted into tax credits under certain conditions, regardless of the Company's ability to generate future profits. In the section on Tax assets and tax liabilities under assets in these Notes to the Financial Statements, information is provided on the nature and checks carried out with regard to the recognition of deferred tax assets.

### Estimation of provisions for risks and charges

The complexity of the situations that underline the existing disputes, along with the difficulties in the interpretation of applicable law, makes it difficult to estimate the liabilities that may result when pending lawsuits are settled. The valuation difficulties concern what may be due and how much time will elapse before liabilities materialise and are particularly evident if the procedure launched is in the initial phase and/or its preliminary investigation is in progress.
Information about the Company's main risk positions related to legal disputes (revocatory action and pending lawsuits) is provided in the Liabilities section of these Notes to the Financial Statements that deals with provisions for risks and charges.

## Hedging derivatives

Since interest rate swaps are carried out for hedging purposes, they are measured at fair value, with an offsetting item recorded in the cash flow hedge shareholders' equity reserves. The above-mentioned fair value, classified under the other current and non-current assets or liabilities, is calculated with adequate measurement techniques that use updated financial variables and used by market participants. These derivative contracts are classified as hedging instruments since the relationship between the derivatives and the hedged position is formally recorded and the hedging effectiveness is high. More specifically, there is an economic relationship between the underlying hedges and the hedging instruments since the IRS terms correspond to the variable rate loan terms (i.e. notional amount, maturity dates, payment dates). This efficiency, along with meeting the requirements set out under IAS 39 for hedge accounting purposes, has to be checked on a periodic basis. The fair value changes of the derivatives that do not meet the terms to be classified as hedging, are recognised in the income statement.

# New accounting standards

The Company adopted for the first time a number of accounting standards and amendments that took effect for financial years beginning on January 1, 2019. The impact of first-time adoption of these measures is discussed below.

## Effects of first-time adoption of IFRS 16 - Leases

IFRS 16, applicable to financial years beginning on January 1, 2019, replaces IAS 17 and all related interpretations (IFRIC 4 Determining whether an arrangement contains a lease, SIC 15 Operating leases - Incentives, SIC 27 Evaluating the substance of transactions involving the legal form of a lease).
The standard IFRS 16 introduced new areas that are relevant to the treatment of leasing transactions , eliminating the classification of rental contracts as financial or operating, and introducing a single model for leaseholders. Therefore, all leases shall be reported by the entity in the balance sheet as assets and liabilities and no longer off balance sheet as under IAS 17 in the case of operating leases.

All the lease contracts are recorded in the balance sheet:

- future lease rentals, recognised in the financial statements as a financial liability (lease liability) which represent the obligation to make future payments, discounted back at the marginal discount rate (the liabilities are reduced following the payments made and the accrued borrowing costs increase);
- right-of-use, as expressed in the contracts, recognised in the financial statements by showing the value of the asset as a lease asset in a separate line of the financial statements, under property, plant and equipment (Rou asset) calculated as the sum of the lease payables, the initial direct costs, the payments made on the date or prior to the date the contract started (not including any leasing bonuses received) and the cost of dismantling and /or renovation.

At income statement level, operating lease rentals are no longer accounted for under the administrative expenses as provided by IAS 17, but are recognised as:

- charges relating to the amortisation of the asset recognised as right-of-use over the lease term, with linear accounting rates (impact on the operating activities);
- borrowing costs accrued on the financial liability (impact on the interest expense and financial management).

Additionally, on the basis of the IFRS 16 standard requirements and the clarifications of the IFRIC ("Cloud Computing Arrangements" document September 2018), software is not included in the range of application of IFRS 16; software is therefore accounted for by following the standard IAS 38 and related requirements.





A preliminary analysis of the impact of the application of IFRS 16 within the Company was carried out during 2018 with the involvement of various Company departments.
doValue applied the modified retrospective approach envisaged by paragraph C.5 b) of IFRS 16, recognising the cumulative effect of initial application of the Standard at the transition date (January 1, 2019); consequently, no significant impacts are expected on the Company's shareholders' equity.
doValue has elected to use the two exemptions envisaged for first-time application of the standard for the following contracts:
- Short-term leases (term of less than or equal to 12 months);
- Low-value leases (less than €5,000).
On the basis of that approach, as at January 1, 2019, the Company recognised a leasing obligation where the balance was calculated by discounting the future remaining lease rentals at the date of first application and a tangible asset (right-of-use) for the same amount of the liability for the lease rectified, if necessary, by the amount of the fee paid in advance or to pay that was recognised in the balance sheet immediately before the date of first application.
The discount rate used to calculate the right-of-use and leasing liabilities amounts to 2% and is the marginal loan rate at the date of initial application of IFRS 16 applied on the basis of the remaining duration of the contract, starting from January 1, 2019.

The range of application of IFRS 16 relates to all the lease contracts, i.e. both property and vehicle rental.
With regard to the lease term, both for first application and when operating normally in accordance with the law, the Company decided to consider as follows:

- only one renewal will be considered for the leasing of properties with functional use and contracts which have not yet been renewed (generally for six years) in addition to the residual period; only the residual renewal period is considered for contracts which have already been renewed at least once. This will hold true unless there are other contractual clauses that prohibit it or, there are facts or situations that would lead to the consideration of additional renewals or the determination of the end of the leasing contract;
- for vehicle leasing, only the residual duration at the end of the three/four years;
- no short-term leasing contracts or with a residual duration of less than 12 months at the date of first application.

The adoption of the new accounting standard has increased both assets and liabilities as a result of the recognition of the rights-of-use and the associated liabilities, the values for which are reported in the following table.

(€/000)

| Leasing category IFRS 16 | Right of Use | Liability | Provisions for risks and charges | Number of assets |
|---|---|---|---|---|
| Office premises | 10,812 | 10,661 | 151 | 15 |
| Employee accomodation | 467 | 467 | - | 6 |
| Company cars | 471 | 471 | - | 20 |
| **Total** | **11,750** | **11,599** | **151** | **41** |

The provisions for risks and charges exclusively report the discounted value of the charges expected to be incurred to restore office premises at the end of the leases.

(€/000)

| ASSETS | AMOUNTS AT 12/31/2018 (A) | Impact of transition to IFRS 16 (B) | AMOUNTS AT 01/01/2019 (C) = (A) + (B) |
|---|---|---|---|
| **NON-CURRENT ASSETS** | 686 | - | 686 |
| Intangible assets | 1,702 | 11,750 | 13,452 |
| Property, plant and equipment | 40,664 | - | 40,664 |
| Investments in associates and joint ventures | 34,796 | - | 34,796 |
| Non-current financial assets | 79,969 | - | 79,969 |
| Deferred tax assets | 99 | - | 99 |
| | **157,916** | **11,750** | **169,666** |
| **CURRENT ASSETS** | | | |
| Inventories | 564 | - | 564 |
| Current financial assets | 999 | - | 999 |
| Trade receivables | 63,269 | - | 63,269 |
| Other current assets | 7,612 | - | 7,612 |
| Cash and cash equivalents | 36,998 | - | 36,998 |
| | **109,442** | - | **109,442** |
| **Assets held for sale** | **1,821** | - | **1,821** |
| **TOTAL ASSETS** | **269,179** | **11,750** | **280,929** |

| SHAREHOLDERS' EQUITY AND LIABILITIES | AMOUNTS AT 12/31/2018(A) | Impact of transition to IFRS 16 (B) | AMOUNTS AT 01/01/2019(C) = (A) + (B) |
|---|---|---|---|
| **SHAREHOLDERS' EQUITY** | | | |
| Share capital | 41,280 | - | 41,280 |
| Valuation reserve | 322 | - | 322 |
| Other reserves | 126,344 | - | 126,344 |
| Treasury shares | (246) | - | (246) |
| Net profit (loss) for the period | 43,374 | - | 43,374 |
| **Equity** | **211,074** | - | **211,074** |
| **NON-CURRENT LIABILITIES** | | | |
| Other non-current financial liabilities | - | 11,599 | 11,599 |
| Employee benefits | 4,806 | - | 4,806 |
| Provisions for risks and charges | 17,203 | 151 | 17,354 |
| Deferred tax liabilities | 1 | - | 1 |
| | **22,011** | **11,750** | **33,761** |
| **CURRENT LIABILITIES** | | | |
| Trade payables | 16,530 | - | 16,530 |
| Tax payables | 6,472 | - | 6,472 |
| Other current liabilities | 6,561 | - | 6,561 |
| | **29,563** | - | **29,563** |
| **Liabilities associated with assets held for sale** | 6,532 | - | 6,532 |
| **TOTAL LIABILITIES** | **58,105** | **11,750** | **69,855** |
| **TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES** | **269,179** | **11,750** | **280,929** |





# FOLLOW UP ON THE APPLICATION OF ACCOUNTING STANDARDS IFRS 9 “FINANCIAL INSTRUMENTS” AND IFRS 15 “REVENUE FROM CONTRACTS WITH CUSTOMERS” AFTER FIRST APPLICATION IN THE 2018 FINANCIAL PERIOD

## IFRS 9 - Financial instruments

During the year, no significant changes were recognised in the scope of assets and liabilities affected by this new standard and subject to specific disclosure regarding the effects of first application recorded in 2018, which were not significant.

The accounting treatment adopted upon first application was confirmed during the year, even though, due to the de-banking and consequent amendment of the financial statements by doValue starting from the current year, the specific balance sheet items provided for in the financial statements of banks no longer apply.

More specifically, with reference to what was recognised in the previous financial year:

- The portfolio of financial assets measured at fair value through other comprehensive income only included the debt securities (BOT) held in order to meet the regulatory requirements previously required of the banking entity. These securities came to maturity during the financial year and the investment was not renewed.
- The portfolio of the financial assets measured at fair value with an impact on profit and loss mainly included the shares in the Italian Recovery Fund collective investment undertaking (previously Atlante II) and the ABS securities relating to the Romeo SPV securitisations and Mercuzio Securitisation. These financial instruments are now recognised, on a consistent basis, under the “Non current financial assets” and described in detail in explanatory note 3 under “Financial assets recognised at fair value under the components of the income statement”. The evaluation criterion has remained unchanged compared to December 31, 2018;
- The portfolio of the financial assets measured at the amortised cost held for long-term investment purposes, comprised the loans and receivables with banks and loans to customers. With reference to the balances in this financial period, the loans and receivables with banks are allocated to “Cash and cash equivalents and short-term deposits” while the loans to customers are allocated to “Non-current financial assets” and described in detail under explanatory note 5 under “Financial assets measured at amortised cost”. The evaluation criterion has remained unchanged compared to December 31, 2018;

## IFRS 15 - Revenue from contracts with customers

IFRS 15 established that starting from 2018, a new revenue recognition model that applies to all the contracts entered into with customers shall apply, apart from those falling under the range of application of other IAS/IFRS such as leasing contracts, insurance contracts and financial instruments.
As noted the previous year, when first applying said standard, due to the type of company business, and taking account of the expansion of its scope at an international scale during the financial period, we confirm the substantial absence of quantitative impacts and process impacts resulting from application of said new standard.

In addition to the aforementioned IFRS 16, the Company has adopted for the first time a number of other accounting standards and amendments in preparing these financial statements that took effect for financial years beginning as from January 1, 2019. They are listed below, noting that these changes did not have substantial effects on the financial position or performance:

- Annual Improvements to IFRS Standards 2015-2017 Cycle. The annual improvements cycle is intended to clarify certain provisions of the following IFRS (in force as from January 1, 2019):
  - IFRS 3 Business Combinations;
  - IFRS 11 Joint Arrangements;
  - IAS 12 Income Taxes;
  - IAS 23 Borrowing Costs.
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement (in force as from January 1, 2019);
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (in force as from January 1, 2019);
- IFRIC 23 Uncertainty over income tax treatment (in force as from January 1, 2019);
- Amendments to IFRS9: Prepayment Features with Negative Compensation (in force as from January 1, 2019).

The European Commission also endorsed the following accounting standards that are not applicable as at December 31, 2019 in that the Company did not avail itself of early application, where applicable:

- Amendments to References to the Conceptual Framework in IFRS Standards (in force as from January 1, 2020);
- Amendments to IAS 1 and IAS 8: Definition of Material (in force as from January 1, 2020).

At December 31, 2019, the following new standards, amendments and interpretations were finally issued by the IASB, but not yet endorsed by the European Union:

- IFRS 17 Insurance contracts (in force as from January 1, 2021; early application is permitted);
- Amendment to IFRS 3 Business Combinations (in force as from January 1, 2020);
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current;
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform (in force as from January 1, 2020).



# 2.2

# Main items of the **Financial Statement**

## Intangible assets

### Recognition

Intangible assets are non-monetary assets with multi-year utility, are identifiable, lack physical substance, are controlled by the company and will probably generate future economic benefits.
Intangible assets mainly refer to software, brands and patents.
The above-mentioned intangible assets are recognised at the purchase cost, including any direct costs incurred to prepare the asset for use, net of accumulated amortisation and any impairment.
Any expenses incurred subsequent to the acquisition:

- are recognised as an increase in the initial cost if they increase the future economic benefits of the underlying assets (i.e. if they increase their value or productive capacity);
- are recognised entirely through profit or loss for the year in which they are incurred in other cases (i.e., when they do not increase the original value of the assets, but merely conserve the original functionality).

Intangible assets with a finite life are amortised on a straight-line basis over their estimated useful life.
Intangible assets with an indefinite useful life are not amortised.

### Measurement

Intangible assets with defined useful lives are depreciated at constant rates over their useful life.
Intangible assets with unlimited useful life are not depreciated.
If there is objective evidence that an individual asset may have incurred an impairment loss, the carrying amount of the asset is compared with its recoverable amount, which is equal to the higher of its fair value less costs to sell and its value in use, understood as the present value of expected future cash flows originated by the asset. Any write-downs are recognised under item "Depreciation, amortisation and impairment" in the income statement.
For intangible assets with indefinite life, the carrying amount is compared with the recoverable amount on an annual basis even if no evidence of impairment is found. If the carrying amount is greater than the recoverable amount, a loss is recognised under Item "Depreciation, amortisation and impairment" in the income statement in an amount equal to the difference between the two values.
If the value of a previously written-down intangible asset other than goodwill is written back the new carrying amount shall not exceed the net carrying amount that it would have had if no impairment loss had been recognised on the asset in previous years.

### Derecognition

Intangible assets are derecognised on disposal or when no future economic benefits are expected from their use or disposal. Any difference between the disposal value and the carrying amount is recognised in the income statement under Item "Gains (losses) on disposal of investments".

# Property, plant and equipment

## Recognition and classification

This item includes:
- land and buildings
- furniture and fixtures
- plant and machinery
- other machinery and equipment

and breaks down into the following categories:
- assets used in the business;
- investment property.

Rights of use of property, plant and equipment acquired with leasing contracts are also recorded under this item, as lessees, regardless of their legal classification.

Assets used in the business have physical substance, are held for use in production or in the provision of goods and services or for administrative purposes and can be used for more than one financial year. Improvements to leasehold assets are improvements and incremental expenses for identifiable and separable items of property, plant and equipment. In this case, the assets are classified in specific sub-items (e.g. plant), depending on the nature of the asset in question. Normally, these investments are incurred in order to render properties leased from third parties suitable for their intended use.

Investment property refers to real estate investments pursuant to IAS 40, i.e. properties held (owned outright or held through a finance lease) in order to earn rentals and/or for capital appreciation.
Property, plant and equipment is initially recognised at cost, including all charges directly attributable to the "commissioning" of the asset (transaction costs, professional fees, direct costs to transport the asset to the assigned location, installation costs, dismantling expense).
Expenses incurred subsequently are added to the carrying amount of the asset or recognised as separate assets if it is probable that future economic benefits will be received in excess of those initially estimated and the cost can be reliably determined.
All other expenses incurred subsequently (e.g. ordinary maintenance) are recognised through profit or loss in the period in which they are incurred, under the item:
- Administrative expense, if pertaining to assets used in the business;

or
- Depreciation, amortisation and impairment, if pertaining to investment property.

The initial measurement of the asset entailing the right-of-use includes the current value of the future payments due for leasing, the payments due for the leasing carried out on the date or prior to the date the contract began, the initial direct costs and any estimated costs for the dismantling, removal or restoration of the asset underlying the lease, less any bonuses received by the lessee for the lease.

## Measurement

Subsequent to initial recognition, property, plant and equipment is recognised at cost net of cumulative depreciation and impairment.
Assets with defined useful lives are depreciated at constant rates over their useful life.
Assets with unlimited useful life are not depreciated.
The useful life of property, plant and equipment is reviewed at the end of each period, taking into account the conditions of use of the asset, the state of maintenance, expected obsolescence, etc. and, if these expectations differ from previous estimates, the depreciation charge for the current period and subsequent periods is adjusted.





If there is objective evidence that an individual asset may have incurred an impairment loss, the carrying amount of the asset is compared with its recoverable amount, which is equal to the higher of an asset's fair value less costs to sell and its value in use, understood as the present value of expected future cash flows originated by the asset. Any write-downs are recognised under Depreciation, amortisation and impairment in the income statement.
If the value of a previously written-down asset is written back, the new carrying amount cannot exceed the net carrying amount that it would have had if no impairment loss had been recognised on the asset in previous years.

The rights of use recorded under the assets relating to properties acquired through leases (IFRS 16) will be subject to periodic checks for impairment on the basis of both the expected use and any market indications with respect to the cost to be incurred for the lease payments.

## Derecognition

Property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Any difference between the disposal value and the carrying amount is recognised in the income statement under Profit (loss) of equity investments.

## Expenditure for leasehold improvements

Property renovation costs for properties of which the entity is not the owner are capitalised in view of the fact that over the term of the lease the entity has control of the asset and future economic benefits will flow to the entity. These costs, which are classified under Property, plant and equipment, are amortised over a period that does not exceed the term of the lease contract.

# Equity investments

The criteria for initial recognition and subsequent measurement of equity investments are governed by IAS 27 - Separate Financial Statements, IAS 28 - Investments in Associates and Joint Ventures, and IFRS 11 - Joint Arrangements.
The remaining equity investments - other than subsidiaries, associates and joint ventures, and any reported under Assets held for sale and Liabilities associated with assets held for sale - are classified among financial assets depending on the category to which they belong.

More specifically, they are represented by:

## SUBSIDIARIES

Subsidiaries are defined as entities, including the structured entities, in which direct or indirect control is held. Control over an entity is identified through the ability to exercise power in order to influence the variable returns to which it is exposed through the relationship with it.
In order to ascertain the existence of control, the following factors are considered:
- the purpose and design of the investee in order to identify the entity's objectives, the relevant activities that determine its returns and how these activities are governed;
- power, in order to determine whether they have contractual rights that give the ability to direct the relevant activities; to this end, only substantive rights that give the practical ability to govern are considered;
- the exposure in respect of the investee in order to assess whether there are relations with the investee whose returns are subject to changes resulting from changes in the investee's performance;
- the ability to use its power over the investee to affect the amount of the investor's returns;

- existence of potential "principal-agent" relationships.

Generally, there is a presumption that the majority of voting rights entail control. In support of this presumption and when the Group holds less than the majority of the voting rights (or similar rights), the Group considers all the relevant facts and circumstances to determine whether it controls the entity being invested in, including:

- Contractual agreements with other holders of voting rights;
- Rights deriving from contractual agreements;
- Voting rights and potential voting rights of the Group.

Where the significant activities are governed through voting rights, the existence of control is checked by considering the voting rights, including potential voting rights held, and the existence of any agreements or shareholder agreements that give the right to control the majority of said voting rights, to appoint the majority of the governing body or in any case, the power to determine the financial and operating policies of the entity.
The subsidiaries may also include any "structured entities" in which the voting rights are not significant for the purpose of the existence of control, including companies and entities with specific purposes (special purpose entities) and investment funds.
In the case of structured entities, the existence of control is checked by considering both the contractual rights that permit governance of the significant activities (i.e. those that contribute most to the results) and the exposure to variable returns resulting from said activities.

## JOINT VENTURES

A joint venture is an entity with respect to which there is:
- a joint control arrangement;
- rights on the significant activities of the entity.

More specifically, joint control exists if the decisions relating to the significant assets require the joint consent of all the parties that share control.

## ASSOCIATES

An associate is an entity over which an investor has significant influence but which is not a subsidiary or a joint-venture.
Significant influence is presumed when the investor:
- holds, directly or indirectly, at least 20% of the share capital of another entity;

or
- is able to exercise significant influence through:
  - representation on the governing body of the company;
  - participation in policy-making processes, including participation in decisions about dividends or other distributions;
  - material transactions between the entity and its investee;
  - interchange of managerial personnel;
  - provision of essential technical information.

Investments in associates are measured using the equity method.
Equity investments in associates include any goodwill (less any impairment loss) paid to purchase them. Participation in the post-acquisition profits and losses of associates is recognised in the Income Statement under "Gains (Losses) from equity investments". Any dividends distributed reduce the carrying amount of the equity investment.
If the interest in the losses of an associate is equal to or greater than its carrying amount, no further losses are recognised unless specific obligations have been agreed in favour of the associate or payments were made on its behalf.

Any changes in the valuation reserves of the associates, which are recorded as an offsetting item of the value changes of assets and liabilities in the associated item, are reported separately in the statement of comprehensive income.

### Recognition

The investments in subsidiaries, associates and joint ventures are initially recognised at the fair value at the time of acquisition, which substantially corresponds to the purchase cost.
The cost of acquisition of an equity investment is calculated as the cost:
- the fair value, at the date of purchase (amounting to the price paid) of the assets sold, the liabilities incurred and the equity instruments issued by the purchaser in exchange for control of the enterprise acquired;

plus
- any cost directly attributable to the purchase itself.

### Measurement

If there is proof that the value of an equity investment may have fallen, an estimate must be made of the recoverable value of the equity investment. This recoverable value is calculated by referring to the value of use of the equity investments. In this case, the value of use is calculated using internal valuation models generally used in financial dealings and based on the discounting to present values of the expected cash flows that will derive from the equity investment (known as the discounted cash flow).
If sufficient information cannot be obtained, the value of use will be considered to be the value of the shareholders' equity of the company.
If the recoverable value is less than the carrying amount, the difference will be recognised on the income statement under "Gains (losses) of the equity investments".
If the reasons for the impairment are removed following an event which occurs after the recognition of the impairment, reversals will be made, allocating them to the income statement.

### Derecognition

Equity investments are cancelled when the contractual rights to the cash flows deriving from the assets expire, when they are transferred with essentially all the risks and benefits connected to them being transferred, or if essentially all the risks or benefits are not transferred or maintained, control is lost on the equity investment itself.
The profits and losses from the transfer of the equity investments are recognised on the income statement under "Gains (losses) from equity investments".

# Financial assets

## 1. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

### Recognition

Financial assets are initially recognised at the settlement date for debt securities and equities, and at the disbursement date for loans.
Upon initial recognition, financial assets measured at fair value through profit or loss are recorded at fair value, without considering transaction costs or income directly attributable to the instrument itself.

### Classification

Financial assets other than those classified under financial assets measured at fair value through other comprehensive income or financial assets measured at amortised cost are classified in this category. More specifically, the item includes financial assets that are mandatorily measured at fair value, which are represented by financial assets that do not meet the requirements for measurement at amortised cost or at fair value through other comprehensive income. These are financial assets whose contractual terms do not provide exclusively for repayments of principal and interest payments on the principal amount to be repaid (failure to pass the "SPPI test") or which are not held as part of a business model whose intent is to hold assets in order to collect contractual cash flows (the "Hold to Collect" business model) or whose intent is achieved through the collection of contractual cash flows or through the sale of the financial assets (the "Hold to Collect and Sell" business model).
Accordingly, this item reports:

- debt securities and loans held as part of a "Hold to Collect" or "Hold to Collect and Sell" business model, but whose cash flows are not represented solely by payments of principal and interest (in other words, they do not pass the SPPI test);
- units of collective investment undertakings (CIUs);
- equity instruments - which do not represent holdings in a subsidiary, associate or joint arrangement - for which the Company does not apply the permitted option, at the time of initial recognition, to designate the instrument as measured at fair value through other comprehensive income.

### Measurement

Following initial recognition, financial assets measured at fair value through profit or loss are measured at fair value. The effects of the application of this measurement approach are recognised in profit or loss.
For the criteria used to determine fair value, please see the section "Fair value disclosures".

### Derecognition

Financial assets are only derecognised if the sale involves the transfer of substantially all the risks and benefits associated with the assets themselves. If a significant portion of the risks and benefits of holding the financial assets sold has been retained, those assets continue to be recorded in the financial statements, even if ownership of the assets themselves has been effectively transferred.
If it is not possible to ascertain the substantial transfer of the risks and benefits, the financial assets are derecognised if no form of control over them has been retained. Otherwise, retention of even part of such control requires the entity to





continue to recognise the assets in an amount equal to the residual continuing involvement, measured by the exposure to changes in the value of the transferred assets and changes in their cash flows.
Finally, the transferred financial assets are derecognised if the contractual rights to receive the related cash flows are retained with the simultaneous assumption of an obligation to pay the cash flows, and only those flows, without material delay to other recipients.

## 2. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

### Recognition

Financial assets measured at fair value through other comprehensive income are initially recognised at the settlement date at fair value, which is normally equal to the consideration transferred in the transaction including transaction costs and revenues directly attributable to the instrument itself.

### Classification

A financial asset is classified under financial assets measured at fair value through other comprehensive income if:

- intent of the business model is pursued through both the collection of contractual cash flows and the sale of financial assets ("Hold to Collect and Sell");
- the contractual terms of the financial asset provides, on certain dates, cash flows that solely represent payments of principal and interest on the amount of remaining capital to be returned and therefore the SPPI (solely payments of principal and interest) test is passed.

### Measurement

Following initial recognition, Assets classified at fair value with impact on the comprehensive income, are measured at fair value, with recognition of the impacts resulting from application of the amortised cost and of the impairment in profit or loss.  Gains and losses deriving from changes in fair value are recognised in the statement of comprehensive income and reported under Valuation reserve of the shareholders' equity that will be reversed in the income statement when the financial asset is derecognised.
Such instruments undergo measurement of losses due to long-term reductions in value, as illustrated in the specific section.
These lasting value losses are recognised in profit or loss against the statement of comprehensive income and reported under Valuation reserve.

### Derecognition

Financial assets are only derecognised if the sale involves the transfer of substantially all the risks and benefits associated with the assets themselves. If a significant portion of the risks and benefits of holding the financial assets sold has been retained, those assets continue to be recorded in the financial statements, even if ownership of the assets themselves has been effectively transferred.
If it is not possible to ascertain the substantial transfer of the risks and benefits, the financial assets are derecognised if no form of control over them has been retained. Otherwise, retention of even part of such control requires the entity to continue to recognise the assets in an amount equal to the residual continuing involvement, measured by the exposure

to changes in the value of the transferred assets and changes in their cash flows.
Finally, the transferred financial assets are derecognised if the contractual rights to receive the related cash flows are retained with the simultaneous assumption of an obligation to pay the cash flows, and only those flows, without material delay to other recipients.
In the event of a transfer, the accumulated profits and losses are reversed to profit or loss.

## 3. FINANCIAL ASSETS MEASURED AT AMORTISED COST

### Recognition

Financial assets measured at amortised cost are initially recognised at the settlement date at fair value, which is normally equal to the consideration transferred in the transaction including transaction costs and revenues directly attributable to the instrument itself.

### Classification

A financial asset is classified under financial assets measured at amortised cost if:
- the intent of the business model is to hold assets in order to collect contractual cash flows ("Hold to Collect");
- the associated cash flows represent solely payments of principal and interest.

More specifically, assets recognised under this item include:
- the various technical forms of loans and receivables with banks that meet the requirements of the previous paragraph;
- the various technical forms of loans and receivables with customers that meet the requirements of the previous paragraph;
- debt securities that meet the requirements of the previous paragraph.

### Measurement

Following initial recognition at fair value, these assets are measured at amortised cost, which involves the recognition of interest using the effective interest rate over the term of the loan or receivable.
The carrying amount of financial assets measured at amortised cost is adjusted in order to take account of write-downs/write-backs resulting from the assessment process (impairment) and refer to the specific section "Impairment of financial assets".

### Derecognition

Financial assets are only derecognised if the sale involves the transfer of substantially all the risks and benefits associated with the assets themselves. If a significant portion of the risks and benefits of holding the financial assets sold has been retained, those assets continue to be recorded in the financial statements, even if ownership of the assets themselves has been effectively transferred.
If it is not possible to ascertain the substantial transfer of the risks and benefits, the financial assets are derecognised if no form of control over them has been retained. Otherwise, retention of even part of such control requires the entity to continue to recognise the assets in an amount equal to the residual continuing involvement, measured by the exposure to changes in the value of the transferred assets and changes in their cash flows.
Finally, the transferred financial assets are derecognised if the contractual rights to receive the related cash flows are retained with the simultaneous assumption of an obligation to pay the cash flows, and only those flows, without material delay to other recipients.





### Impairment of financial assets

Pursuant to IFRS 9, at each reporting date financial assets other than those measured at fair value through profit or loss undergo an assessment to determine whether there is evidence that the carrying amount of the assets cannot be fully recovered. An analogous analysis is conducted for commitments to disburse funds and for guarantees issued that fall within the scope of the impairment provisions of IFRS 9.
If evidence of impairment is found, the financial assets in question - consistently, where present, with all other assets pertaining to the same counterparty - are considered impaired and are classified in stage 3. Such exposures, represented by financial assets classified in the categories of non-performing loans, exposures unlikely to pay and exposures past due by more than ninety days, shall be written down in an amount equal to the expected losses over the entire residual life of the assets.

Financial assets for which there is no evidence of impairment (unimpaired financial instruments) shall be evaluated to determine whether there is evidence that the credit risk of the individual transaction has increased significantly since initial recognition. Following the assessment, the assets shall be classified (or, more properly, staged) as follows:
- where such evidence is found, the financial asset shall be classified in stage 2. Such valuation, consistent with the provisions of the international accounting standards and even in the absence of manifest impairment, requires for the recognition of write-downs equal to the expected losses over the residual life of the financial instrument;
- where such evidence is not found, the financial asset shall be classified in stage 1. Such valuation, consistent with the provisions of the international accounting standards and even in the absence of manifest impairment, requires the recognition of expected losses, for the specific financial instrument, over the following twelve months.

The Group impairment process is applied to financial assets measured at amortised cost or at fair value through other comprehensive income, which include: loans, trade receivables, contract assets, debt securities, financial guarantees, and irrevocable commitments to disburse funds.
For trade receivables, in consideration of the provisions of IFRS 9 (paragraphs 5.5.15-16) and the immateriality of the financing component of such receivables, the Group has opted for the "Simplified Approach" that essentially provides for the calculation of total lifetime expected losses for the financial asset. Given that the residual life of trade receivables is generally less than one year, the 12-month and lifetime expected losses are the same.

# Inventories

The item reports property, plant and equipment classified under IAS 2 – Inventories regarding the property portfolio of the Company's real estate company, which is held for sale.

### Measurement

Properties undergoing renovation are measured at the lower of cost, increased by expenses increasing of their value and the capitalizable financial expense, and the corresponding estimated realisable value, less the direct costs to sell.
Trading properties are measured at the lower of cost and estimated realisable value, which is generally represented by the market value as determined from similar property transactions in terms of location and type. The estimated realisable value and the market value are determined on the basis of independent appraisals or any lower value at which management is prepared to sell based on urban/land registry circumstances that do not correspond to the effective state of the property and legal issues (such as the illegal occupation of the properties).
Any write-downs based on the above appraisal are charged to the appropriate item in the income statement.
If the reasons that led to the write-down of inventories cease to exist, write-downs recognised in previous periods are reversed through profit or loss up to the lower of cost and estimated realisable value.

# Trade receivables and other current assets

Current items essentially include receivables generated by the provision of non-financial services, items awaiting settlement and items that are not attributable to other items in the balance sheet, including tax items other than those recognised in a separate item (for example, those connected with tax withholding activities), and accrued income other than that that must be capitalised in the related financial assets, including that deriving from contracts with customers pursuant to IFRS 15, paragraphs 116 et seq.
For trade receivables, in consideration of the provisions of IFRS 9 (paragraphs 5.5.15-16) and the immateriality of the financing component of such receivables, the Company has opted for the "simplified approach" that essentially provides for the calculation of total lifetime expected losses for the financial asset. Given that the residual life of trade receivables is generally less than one year, the 12-month and lifetime expected losses are the same.

# Current and deferred tax

### Recognition

Tax assets and tax liabilities are recognised respectively under Tax assets in assets and Tax liabilities in liabilities.
In application of the "balance sheet method", items for current and deferred taxes include:

- current tax assets, i.e. excess payment of tax liabilities on the basis of current tax laws governing corporate income;
- current tax liabilities, i.e. tax liabilities to be settled on the basis of current tax laws governing corporate income;
- deferred tax assets, i.e. amounts of income taxes recoverable in future periods as a consequence of:





  - temporary deductible differences (represented mainly by costs deductible in future periods on the basis of current tax laws governing corporate income);
  - unutilised tax losses carried forward;
  - unutilised tax credits carried forward;
  - except in cases where:
    - the deferred tax asset connected to the temporary deductible differences derives from the initial recognition of an asset or liability in a transaction that does not represent a business combination and, at the time of the transaction itself, does not affect the balance sheet result or the result tax;
    - in the case of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are recognized only to the extent that it is probable that they will be reversed in the foreseeable future and that there will be sufficient taxable amounts that allow recovery of these temporary differences;
- deferred tax liabilities, i.e. income tax liabilities to be settled in future periods as a consequence of temporary taxable differences (mainly represented by the deferral of taxation of revenues or the advance deduction of charges on the basis of current tax laws governing corporate income)
  - except in cases where:
    - deferred tax liabilities derive from the initial recognition of goodwill or of an asset or liability in a transaction that does not represent a business combination and, at the time of the transaction itself, does not affect the balance sheet result or the tax result;
    - the reversal of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures can be controlled, and it is probable that it will not occur in the foreseeable future.

Current tax assets and liabilities are recognised by applying current tax rates and are recognised as charges (income) using the same accrual criteria adopted for the costs and revenues which generated them. In particular, current IRES (corporate income tax) and IRAP were calculated using the tax rates established in current tax law, using the rate of 24% for IRES.
In general, deferred tax assets and liabilities arise in the cases in which the deductibility or taxability of a cost or revenue is deferred with respect to their recognition for accounting purposes.
Current tax items include payments on account (current assets) and liabilities to settle (current liabilities) for income tax for the period. Current tax liabilities and the associated receivables for payments on account still outstanding at the end of the year are recognised as a net amount in a single item.
The Company offsets deferred tax assets and deferred tax liabilities if and only if there is a legal right that allows to offset current tax assets and current tax liabilities and deferred tax assets and liabilities refer to income taxes due to the same tax authority by the same person taxpayer or from different taxpayers who intend to pay the current tax assets and liabilities on a net basis or to realize the asset and pay the liability simultaneously, with reference to each future period in which the deferred tax assets and liabilities are expected to be paid or recover.

### Measurement

Deferred tax assets and liabilities are recognised on the basis of the tax rates that, at the end of the reporting date, are expected to be applicable in the period in which the asset will be realised or the liability will be eliminated, in accordance with current tax legislation. They are periodically reviewed in order to take account of any regulatory changes.
Deferred tax assets are only recognised if their recovery through expected future taxable income is probable, measured on the basis of the Company's ability to produce taxable income in future financial years. Deferred tax liabilities are always recognised. A requirement for the recognition of deferred tax assets is that it is considered reasonably certain in view of corporate developments that taxable income will be generated against which the temporary deductible differences will be used. In accordance with the provisions of IAS 12, the probability that future taxable income will be sufficient to utilise the deferred tax assets is subject to periodic review. If that review suggests that future taxable income will be insufficient, the deferred tax assets are reduced in a corresponding amount.
Current and deferred taxes are recognised in the income statement under "Income tax" with the exception of taxes which refer to items which are credited or debited, in the same or another financial year, directly in equity, such as, for example, those in respect of profits or losses on available-for-sale financial assets, whose changes in value are recognised directly in valuation reserves in the statement of comprehensive income.

### Derecognition

Deferred tax assets and liabilities are derecognised at the time they are recovered/realised.

# Assets held for sale

These categories include individual non-current assets (property, plant and equipment, intangible assets, and financial assets) or groups of assets held for sale, together with the associated liabilities, as governed by IFRS 5.
The individual assets (or groups of assets held for sale) are recognised respectively under Assets held for sale and Liabilities associated with assets held for sale at the lower of the carrying amount and the fair value net of disposal costs.
For discontinued operations, the positive or negative balance of income (dividends, interest, etc.) and charges (interest expense, etc.), net of the associated current and deferred taxes, is recognised under Net income (expense) of assets held for sale in the income statement.

# Loans and other financing and other financial liabilities

### Recognition and classification

This includes financial liabilities measured at amortised cost represented by amounts due to banks, amounts due to other financial institutions and securities issued, the financial instruments (other than liabilities held for trading and those designated at fair value) representing the various forms of funding from third parties.
Liabilities recognised by the entity as a lessee in finance lease transactions are also included.
These financial liabilities are recognised at the settlement date and initially recognised at fair value, which normally corresponds to the consideration received, net of transaction costs directly attributable to the financial liability.

### Measurement

Following initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method. Exception is made for short-term liabilities, for which the time factor is negligible, which continue to be carried at the amount received.

### Derecognition

Financial liabilities are derecognised from the financial statements when the obligation underlying the liability is expired, disharged, canceled or fulfilled.
The difference between the carrying amount of a liability and the consideration paid to purchase it is recognised in profit or loss.





# Provisions for risks and charges

### Recognition

Provisions for risks and charges consist of liabilities recognised when:
- the company has a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- a reliable estimate can be made of the amount of the obligation.

If these conditions are not met, no liability is recognised.

The item includes provisions for legal obligations or connected with an employment relationship or disputes, including tax disputes, arising from a past event, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits, assuming that a reliable estimate can be made of the amount.
The potential liabilities for employees are also accounted for, especially the variable remuneration.
Where the effect of the time value of money is material, provisions shall be discounted using a current market rate. Provisions are recognised in profit or loss under “Provisions for risks and charges” and include the accretion of provisions connected with the passage of time.

### Measurement

The amounts allocated to provisions are determined so that they represent the best estimate of the expense required to settle the obligation. In making this estimate, the risks and uncertainties pertaining to the facts and circumstances involved are taken into account.
Specifically, when the effect of deferring the charge in time is significant, the amount of the provision is determined as the present value of the best estimate of the cost assumed necessary to extinguish the obligation. In this case, the discount rate used reflects current market assessments.
Provisions are periodically reviewed and adjusted if necessary to reflect the current best estimate. When, following a review, it is found that the charge is unlikely to be incurred, the provision is reversed.

### Derecognition

A provision is used only against the charges for which it was initially recognised.
Provisions for the year, recognised under Provisions for risks and charges in the income statement, include increases in provisions due to the passage of time and are reported net of any reversals.

# Employee benefits

The provision for the trattamento di fine rapporto (the Italian deferred remuneration benefit scheme – TFR) is treated as a post-employment defined benefit scheme. Its recognition in the financial statements therefore requires the estimation, carried out using actuarial techniques, of the amount of benefits accrued by employees and the discounting of those benefits.
The determination of these benefits was conducted by an external actuary, using the “projected unit credit method”. This method uniformly distributes the cost of the benefit over the working life of the employee. Obligations are determined as the discounted value of average future benefit payments, proportioned on the basis of the ratio between years of service accrued and total seniority achieved at the time the benefit is disbursed.
Following the reform of the supplementary pension system with Legislative Decree 252 of December 5, 2005, the termination benefits accrued up to December 31, 2006 (or up to a date selected by the employee between January 1, 2007

and June 30, 2007 in the event the employee elected to transfer accrued TFR to a supplementary pension scheme) remain with the company and continue to be considered "defined-benefit post-employment benefits" and are therefore subject to actuarial measurement, although using simplified actuarial assumptions that no longer take account of forecasts of future wage increases.
TFR accruing after January 1, 2007 (or after the date of election between January 1, 2007 and June 30, 2007 by the employee to transfer TFR to (i) a supplementary pension scheme or (ii) leave the TFR with the company, which in turn deposits those contributions with the Treasury Fund operated by the National Social Security Institute (INPS) is considered to be a "defined contribution" plan.
Actuarial gains and losses, defined as the difference between the carrying amount of the liabilities and the present value of the obligation at the end of the period, are recognised in equity under Valuation reserve in accordance with the provisions of the IAS 19 Revised.

# Recognition of revenue and costs

Revenues represent the transfer of goods or services to customers and are recognised in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. They are recognised using the 5-step model (identify the contract with the customer; identify the performance obligations in the contract; determine the transaction price; allocate the transaction price to the performance obligations; recognise the revenue when the entity satisfies the performance obligation).
Revenues from contractual obligations with customers are recognised in profit or loss when it is probable that the entity will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. This consideration must be allocated to the individual obligations contained in the contract and must be recognised as revenue in profit or loss based on the timing of satisfaction of the performance obligation. More specifically, revenues can be recognised at a point in time or over time, as the entity satisfies the performance obligation. The consideration promised in the contract with the customer can include fixed amounts, variable amounts or both. In particular, the consideration may vary because of price concessions, discounts, rebates, incentives or other similar items and may be contingent on the occurrence or non-occurrence of a future event. In the presence of variable consideration, revenue is recognised when it is possible to reliably estimate the revenue and only if it is highly probable that this consideration will not be subsequently reversed from the income statement, in whole or in a significant part.
If the entity receives consideration from the customer which provides for reimbursement to the customer, in whole or in part, of the revenue received, a liability must be recognised against the expected future repayments. The estimate of this liability is updated at each annual or interim reporting date or interim period and based on the portion of the consideration that the entity expects to not be entitled to.

### Revenue from contracts with customers and other revenue

Sales revenues associated with servicing contracts for the recovery of receivables managed on an agency basis are recognised on an accruals basis based on the provisions of IFRS 15 (hereinafter also referred to as the "Standard").

### Recognition

The model used for recognition of the servicing revenues is aligned with fulfilment of the obligation to act.
In many cases, this alignment is already provided for under the contract, therefore:

- if the commissions are paid on a one-off basis in order to pay for the supply of a service that is made "at a certain time", they will be recognised as revenues when they are received;
- if the commission is paid over time in order to pay for a service that is supplied over time, it will be recognised as revenues upon receipt.

However, if the commission is received in advance in exchange for a service obligation that is provided over time, in various reporting periods, the overall amount of the commission will be put into the financial statements and will be recognised as revenues over the applicable period in which the service is supplied. In these cases, the commission will be recognised as revenues in profit or loss in proportion to the time (i.e. on a pro rata basis).





Sales revenues associated with servicing contracts for the recovery of receivables managed on an agency basis for third parties are recognised on an accruals basis based on the activities carried out by the Group from time to time, using management IT procedures and complex accounting processes that take account of the different contractual terms of each agency agreement. Servicing agreements contain well-organised clauses specifying the rights and duties of doValue in relations with the participating customers.
When preparing the annual or interim financial statements, therefore revenues accrued in the period that have not yet been manifestly accepted by the customer are recognised. Depending on the terms of contract and the established practice, that acceptance may take the form of the issuance of an invoice or an explicit notice.

### Measurement

The Standard requires the entity to take account of the terms of the contract and its standard commercial practices to establish the price of the transaction. The price of the transaction is the amount of consideration that the entity believes it has the right to in exchange for the transfer to the customer of the goods or services promised. The consideration promised in the contract with the customer can include fixed amounts, variable amounts or both.
In order to calculate the price of the transaction, the entity must consider the effect of all the following elements:
a) variable consideration;
b) limitation of the estimates of the variable consideration;
c) existence in the contract of a significant loan component;
d) non-monetary consideration; and
e) consideration to pay to the customer.

Variable consideration is represented by the following, for example: discounts, refunds, reimbursements, receivables, price concessions, bonuses, performance bonuses, penalties or other similar elements.
A consideration amount is considered variable if the right of the entity to the consideration depends on the occurrence or non-occurrence of a future event. For example, if a product was sold with a right to restitution or a fixed amount is promised as a performance bonus for achieving a specific objective.

Within the scope of the main servicing contracts of the group, the following types of commissions are considered variable, since they are uncertain:

- Extra-performance commission: linked to reaching targets;
- Transfer compensation and staff compensation: linked to the occurrence of the portfolio transfer event and at the discretion of the customer.

With respect to the variable consideration estimation limit, variable commissions that depend on the occurrence of a future event (for example extra-performance commission or transfer and staff compensation) are not recorded on the income statement before being ascertained through an estimation of them since the occurrence of the uncertainty (or the occurrence of the event) could mean the complete reversal of the estimated revenue if it had been previously recognised.

With respect to points c), d) and e), the Group does not have any clauses in its servicing contracts that would lead to the identification of these cases.

### Dividends

Dividends are recognised in profit or loss in the period in which their distribution is authorised.

### Costs

Costs are recognised when they are incurred, on an accruals basis.
Impairment losses are recognised through profit or loss in the period in which they are ascertained.

## Public funds

Government grants are recognized when there is reasonable certainty that they will be received and that all the conditions relating to them will be met. Grants related to cost components are recognized as revenues and systematically distributed between the years in order to be commensurate with the recognition of the costs they intend to offset. The contribution related to an activity is recognized as revenue on a straight-line basis over the expected useful life of the related activity.

# Other information

## Treasury shares

Changes in treasury shares in the portfolio are recognised directly in shareholders' equity, i.e. reducing the latter by the value of purchases and increasing it by the value of sales.
This means that in the case of a subsequent transfer the difference between the sales price of the treasury shares and the associated repurchase cost, net of any tax effects, is fully recognised in shareholders' equity.

## Accruals and deferrals

Accruals and deferrals, which comprise charges and income pertaining to the period accrued on assets and liabilities, are recognised as an adjustment to the assets and liabilities to which they refer.

## Share-based payments

Share-based payments are payments made to employees or comparable persons as payment for work or other services/assets received, based on shares representing capital, which consist in the grant of rights to receive shares upon meeting quantitative/qualitative objectives.
The cost of transactions settled with equity instruments is determined by the fair value at the date of the assignment. The fair value of payments settled through the issue of shares is based on their stock market price. This cost, together with the corresponding increase in shareholders' equity under the item Other Reserves, is recognized under Personnel costs over the period in which the conditions relating to the achievement of objectives and / or the provision of the service are met. The cumulative costs recognized for these transactions at the end of each financial year up to the vesting date are commensurate with the expiry of the vesting period and the best estimate of the number of equity instruments that will actually accrue. The cost or revenue in the statement of profit / (loss) for the year represents the change in the cumulative cost recorded at the beginning and end of the year.

## RELEVANT IAS/IFRS DEFINITIONS

The following presents a number of concepts relevant for the purposes of the IAS/IFRS international accounting standards are outlined, in addition to those already addressed in the previous sections.

## Amortised cost

The amortised cost of a financial asset or liability is the amount at which it is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and adjusted for any write-down or unrecoverability (impairment).
The effective interest rate method is a method for allocating interest income or expense over the life of a financial asset or liability. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the life of the financial instrument to the net carrying amount of the financial asset or liability. The calculation





includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.
Fees and commissions that are considered an integral part of the effective interest rate include initial fees received for the disbursement or acquisition of a financial asset not classified as measured at fair value, such as, for example, those received as compensation for the assessment of the debtor's financial condition, the evaluation and registration of guarantees and, more generally, the completion of the transaction.
Transaction costs, in turn, include fees and commissions paid to agents (including employees filling the role of commercial agents), consultants, mediators and other operators, contributions levied by regulatory bodies and securities markets, taxes and charges on the transfer. Transaction costs do not include lending costs or internal administrative or management costs.

# 2.3

# **Fair value** disclosures

Fair value is the price that could be received to sell an asset, or paid to transfer a liability, in an ordinary transaction in the principal (or most advantageous) market at the measurement date, at current market conditions (exit price).

IFRS 13 seeks to increase consistency and comparability in fair value measurements and related disclosures through a fair value hierarchy. The hierarchy categorises the inputs used in valuation techniques into three levels.

- Level 1: the fair value of the instrument is measured based on quoted prices observed in active markets;
- Level 2: the fair value of the instrument is measured based on the valuation models that use inputs observable in active markets, such as, for example:
  - quoted prices in active markets for similar instruments;
  - observable parameters such as interest rates or yield curves, implied volatilities, prepayment risk, default rates and illiquidity factors;
  - parameters not observable but corroborated and confirmed by market data.
- Level 3: the fair value of the instrument is measured based on the valuation models that mainly use inputs that cannot be inferred from the market and therefore require the adoption of internal estimates and assumptions.

This classification aims to establish a hierarchy in terms of fair value objectivity depending on the degree of discretion adopted, giving priority to the use of parameters observable in the market. The fair value hierarchy is also defined based on the input data used in the fair value determination models and not based on the valuation models themselves.

## Fair value levels 2 and 3: Valuation techniques and input used

The information required by IFRS 13 with regard to the accounting portfolios either measured at fair value on a recurring basis or not measured at fair value or measured at fair value on a non-recurring basis is provided below.

### Assets and liabilities measured at fair value on a recurring basis

#### Asset Backed Securities

ABSs are measured using the discounted cash flow model, which is based on an estimate of the cash flows paid by the security and an estimate of a spread for discounting.





#### Equities

Equities are assigned to Level 1 when an active market price considered liquid is available and to Level 3 when there are no prices or the prices have been suspended permanently. Such instruments are classified as Level 2 only if the volume of activity on the listing market is significantly reduced.
For equities measured at cost, an impairment loss is recognised if the cost exceeds the recoverable amount significantly and/or for a long time.

#### Investment funds

Funds are classified as Level 1 if they are listed on an active market; if this does not occur, they are classified as Level 3 and are assessed through a credit adjustment of the NAV based on the specific characteristics of the individual fund.

### Description of the valuation techniques

In order to assess positions for which market sources do not provide a directly observable market price, specific valuation techniques that are common in the market and described below are used.

#### Discounted cash flow

The valuation techniques based on the discounted cash flow generally consist in determining an estimate of the future cash flows expected over the life of the instrument. The model requires the estimate of cash flows and the adoption of market parameters for the discount: the discount rate or margin reflects the credit and/or funding spread required by the market for instruments with similar risk and liquidity profiles, in order to define a “discounted value”. The fair value of the contract is the sum of the discounted future cash flows.

#### Market Approach

A valuation technique that uses prices generated by market transactions involving assets, liabilities or groups of identical or comparable assets and liabilities.

#### NAV

The NAV (Net asset value) is the difference between the total value of the fund’s assets and liabilities. An increase in NAV coincides with an increase in fair value. Usually, for funds classified at Level 3, the NAV is a risk-free valuation; therefore, in this case, the NAV is adjusted to consider the issuer’s illiquidity risk.

# Fair value hierarchy

A certain level of fair value is related to financial instruments based on whether the inputs used for valuation are observable.
When fair value is measured directly using an observable quoted price in an active market, the hierarchy will categorise within Level 1. When fair value must be measured through a comparable approach or through the use of a pricing model, the hierarchy will categorise either within Level 2 or Level 3, depending on whether all significant inputs used in the valuation are observable.
In the choice between the different valuation techniques, the one that maximises the use of the observable inputs is used.
All transfers between the fair value hierarchy levels are made with reference to the end of the reporting period.
The main factors contributing to transfers between fair value levels (both between Level 1 and Level 2 and within Level 3) include changes in market conditions and improvements in valuation models and relative weights of unobservable inputs used in fair value measurement.





# Fair value hierarchy: Assets and liabilities measured at fair value on a recurring basis: breakdown by fair value level

The following table reports the breakdown of assets and liabilities measured at fair value by fair value hierarchy input level.

Level 1 includes, among financial assets measured at fair value through other comprehensive income, government securities (BOTs).
Level 3 for the category “financial assets measured at fair value through profit or loss” mainly includes (i) the residual value of the notes issued by the Romeo and Mercuzio Securitisation SPVs, equal to 5% of the total value of the notes, and (ii) under units of collective investment undertakings, the amount paid in 2017 and June 2018 for the subscription of 30 units of the restricted closed-end alternative securities investment fund denominated Italian Recovery Fund (formerly Atlante II).

Financial liabilities include, at Level 2, the fair value of the Interest Rate Swap derivative contracts, and at Level 3 (i) the earn-out represented by the fair value of the liability in respect of part of the purchase price for Altamira, which will be defined within two years of the date of the transaction agreement, i.e. at the end of December 2020; and (ii) the fair value of the liability in respect of the option to purchase residual non-controlling interests expiring in future years.
The fair value of these financial liabilities was determined on the basis of the contracts for the acquisition of the company equity and the economic-financial parameters that can be drawn from the long-term plans of the acquired company. Since these are not parameters that can be observed on the market (directly or indirectly), these liabilities are classified under Level 3.

(€/000)

| | 12/31/2019 | | | 12/31/2018 | | |
|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| Units in collective investment | - | - | (28,923) | - | - | (28,963) |
| Debt securities | - | - | (4,619) | - | - | (5,240) |
| **Financial assets measured at fair value through comprehensive income** | **-** | **-** | **-** | **(999)** | **-** | **-** |
| **TOTAL** | **-** | **-** | **(33,542)** | **(999)** | **-** | **(34,203)** |
| **Other financial liabilities** | **-** | **368** | **39,811** | **-** | **-** | **-** |
| Earn-out | - | - | 39,811 | - | - | - |
| Hedging derivatives | - | 368 | - | - | - | - |
| **TOTAL** | **-** | **368** | **39,811** | **-** | **-** | **-** |

# 3

# **BALANCE** SHEET

# 3.1

# Assets

## NOTE 1 - **INTANGIBLE ASSETS**

(€/000)

| | Software | Brands | Assets under development and payments on account | Goodwill | Other intangible assets | - 12,31,2019 |
|---|---|---|---|---|---|---|
| **Gross opening balances** | **2,610** | **48** | - | - | - | **2,658** |
| Initial reduction in value | (1,970) | (2) | - | - | - | (1,972) |
| **Net opening balances** | **640** | **46** | - | - | - | **686** |
| **Increases** | - | **3** | - | - | - | **3** |
| Purchases | - | 3 | - | - | - | 3 |
| **Decreases** | **(247)** | **(2)** | - | - | - | **(250)** |
| Amortisation | (247) | (2) | - | - | - | (250) |
| **GROSS CLOSING BALANCES** | **2,610** | **51** | - | - | - | **2,661** |
| Final reduction in value | (2,218) | (5) | - | - | - | (2,222) |
| **NET CLOSING BALANCES** | **393** | **47** | - | - | - | **439** |

This mainly refers to software applications.





## NOTE 2 - **PROPERTY, PLANT AND EQUIPMENT**

(€/000)

| | Buildings | Furniture | Electronic systems | Other | Total |
|---|---|---|---|---|---|
| **Gross opening balances** | **1,526** | **1,103** | **1,064** | **92** | **3.785** |
| Initial reduction in value | (609) | (497) | (889) | (89) | (2,084) |
| **Net opening balances** | **917** | **606** | **175** | **3** | **1.701** |
| *Initial adjustments* | 11,278 | - | - | 472 | 11,750 |
| **Increases** | **6,897** | **1,012** | **184** | **171** | **8.264** |
| Purchases | 3,739 | 12 | 29 | 278 | 4,058 |
| Others changes | 3,158 | 1,000 | 155 | (107) | 4.206 |
| **Decreases** | **(4,700)** | **(1,102)** | **(188)** | **(171)** | **(6,161)** |
| Amortisation | (4,084) | (137) | (42) | (177) | (4,440) |
| Others changes | (616) | (965) | (146) | 6 | (1,721) |
| **GROSS CLOSING BALANCES** | **19,701** | **2,115** | **1.248** | **735** | **23,799** |
| Final reduction in value | (5,309) | (1,599) | (1,077) | (260) | (8,245) |
| **NET CLOSING BALANCES** | **14,392** | **516** | **171** | **475** | **15,554** |

The adjustments to the opening balances reflect the impact of IFRS 16, under which as from January 1, 2019, the Company has recognised rights of use, mainly deriving from long-term real estate leases. For more information, see the appropriate part of the section on Accounting Policies.

During the year, doValue recognised increases in assets of € 4.1 million, mainly from the right of use resulting from the agreement of new leasing contracts for operating properties under the Buildings category; more specifically, there is a 6-year contract for the new offices in Verona starting from November 1, 2019.

Please refer to note 20 for more details on the movements of rights of use.

Within the scope of the increases, the extension of the lease contract with the related party Torre SGR S.p.A. for the Rome offices - Carucci was put under "Other changes" (€ 2.4 million), which was not included under the opening balances since it expired on January 1, 2019.
The increases and decreases under "Other changes" include the changes related to the various business combination transactions reported in the Report on Operations.

# NOTE 3 - **INVESTMENTS IN ASSOCIATES AND JOINT VENTURES**

| Company name | Headquarters and Registered Office | | Type of Relationship (1) | Owner relationship | | Voting rights % (2) |
|---|---|---|---|---|---|---|
| | | Country | | Held by | Holding % | |
| 1. doValue S.p.A. (formerly doBank S.p.A.) | Verona | Italy | | Holding | | |
| 2. Italfondiario S.p.A. | Rome | Italy | 1 | doValue S.p.A. | 100% | 100% |
| 3. doData S.r.l. | Rome | Italy | 1 | doValue S.p.A. | 100% | 100% |
| 4. doSolutions S.p.A. | Rome | Italy | 1 | doValue S.p.A. | 100% | 100% |
| 5. doValue Hellas Credit and Loan Servicing S.A. | Athens | Greece | 1 | doValue S.p.A. | 100% | 100% |
| 6. Altamira Asset Management S.A. | Madrid | Spain | 1 | doValue S.p.A. | 85% | 85% |
| 7. doValue Cyprus Limited | Nicosia | Cipro | 1 | doValue S.p.A. | 94% | 94% |

*Notes to the table*

(1) Type of relationship:

1 = majority of voting rights at ordinary shareholders' meeting.
2 = dominant influence at ordinary shareholders' meeting.
3 = agreements with other shareholders.
4 = other types of control.
5 = centralized management pursuant to Article 39, paragraph 1, of Legislative Decree 136/2015.
6 = centralized management pursuant to Article 39, paragraph 1, of Legislative Decree 136/2015.

(2) Voting rights available in general meeting. The reported voting rights are considered effective

## Change

(€/000)

| Description | Opening balance | Purchases | Share capital increase (+) | Share capitale decrease (-) | Other changes (Reduction in value) (+/-) | Total |
|---|---|---|---|---|---|---|
| ITALFONDIARIO | 24,905 | | - | (16,000) | (5,234) | 3,671 |
| DODATA | 539 | | | | | 539 |
| DOSOLUTIONS | 220 | | | | | 220 |
| NEW BANK SC SPA | 15,000 | | | | (15,000) | - |
| DOVALUE HELLAS | | 488 | | | - | 488 |
| ALTAMIRA ASSET MANAGEMENT S.A. | | 265,318 | | | (34,000) | 231,318 |
| DOVALUE CYPRUS LIMITED | | - | 1 | | | 1 |
| **GROSS CLOSING BALANCES** | **40,664** | **265,806** | **1** | **(16,000)** | **(54,234)** | **236,237** |

As reported in section on significant events for the period in the Directors' Report, there were foreign companies located in southern Europe included in 2019.
In chronological order, in April 2019 the business already begun at the doValue Hellas branch was transferred to a newly acquired servicer, resulting in the creation of doValue Hellas.
On June 27, 2019, following the debanking process, the acquisition of control (85%) of the sub-holding Altamira Asset Management S.A. was finalised, which in turn controls companies in Portugal, Cyprus and Greece.
On November 12, 2019, doValue Cyprus Limited was set up, with registered office in Cyprus, 94% owned by doValue S.p.A. and the remaining 6% by Altamira AM S.A., which, however, thanks to a shareholders' agreement, holds the right to receive 100% of the dividends from the new company.
Finally, note the closure of the non-operating company New Bank SC S.p.A. in the period.





# NOTE 4 – **FINANCIAL ASSETS**

The following table reports financial assets other than cash and cash equivalents held at December 31, 2019 and December 31, 2018.

(€/000)

| | 12/31/2019 | 12/31/2018 |
|---|---|---|
| **Non-current financial assets** | **174,075** | **34.796** |
| **Financial assets measured at fair value through profit or loss** | **33,542** | **34,203** |
| Units in collective investment undertakings | 28,923 | 28,963 |
| Debt securities | 4,619 | 5,240 |
| Equity securities | - | - |
| **Financial assets measured at amortised cost** | **140.533** | **593** |
| Loans to customers | 140.533 | 592 |
| Loans to banks | - | 1 |
| **Current financial assets** | **35,539** | **999** |
| **Financial assets measured at fair value through other comprehensive income** | **-** | **999** |
| Government securities | - | 999 |
| **Financial assets measured at amortised cost** | **35,539** | **-** |
| Loans to customers | 35,539 | - |
| **TOTAL** | **209,614** | **35.795** |

Units in collective investment undertakings regard the amount paid in previous years for the subscription of 30 units of the restricted closed-end alternative securities investment fund denominated Italian Recovery Fund (formerly Atlante II). Following the two payments, at December 31, 2019, a minimal amount of €1.2 million remained recognised under commitments.

Debt securities are represented by the residual amount of ABSs from the Romeo SPV and Mercuzio Securitisation securitisations. The amount subscribed by doValue corresponds to 5% of the total notes issued by the two vehicles. The negative change in the amount compared to December 31, 2018 is due to the combined effect of the gain of the fair value revaluation and the reduction of the notional outstanding amount due to the takings in the period.

€ 126.9 million of the increase in the year in loans to customers is due to the non-current amount of the residual value at amortised cost of the intercompany loan given to Altamira, and € 13.0 million is due to an opportunistic, non-recurring short-term investment in a non-performing loan portfolio.

With regard to the item referring to current financial assets, the government securities amount was set to zero after the reimbursement in 2019 and the increase in the loans to customers of € 35.5 million represented by the current portion of the residual value at amortised cost of the intercompany loan granted to Altamira.

# NOTE 5 – **DEFERRED TAX ASSETS AND LIABILITIES**

The items report deferred tax assets by deductible temporary difference.
Deferred tax assets include amounts in respect of loan write-downs and deferred tax assets determined specifically on the basis of the stocks of the components to which they refer le (litigation, provisions for employees).
In this regard, the Company exercised the option to retain the possibility of converting deferred tax assets into tax credits pursuant to Art. 11 of Legislative Decree 59 of May 3, 2016, ratified with Law 119 of June 30, 2016. This measures introduced the optional regime in order to eliminate issues that emerged at the Community level regarding the incompatibility of the DTA transformation legislation with the rules governing state aid, ensuring that the convertibility of

qualifying DTAs into tax credits is only allowed following payment of a specific fee based on the amount of those DTAs.

The 2019 Budget Act (Law 145/2018) modified the temporary mechanism provided for in Article 16, paragraphs 3-4 and 8-9 of Decree Law 83/2015 concerning the deductibility for both IRES and IRAP purposes of the loan losses of banks, financial companies and insurance undertakings. The law essentially deferred to the current tax period at December 31, 2026, for both IRES and IRAP purposes, the deductibility of 10% of write-downs and losses on loans to customers recognised for that purpose that were originally intended to be deducted for the current tax period at December 31, 2018.
The 2020 budget law (Law 160/2019), at article 1, paragraphs 712-715 then provided for the deferral of the deduction of the negative IRES (corporate income tax) components. More specifically, the deductibility, for IRES and IRAP purposes, of the write-down and credit loss stock for loan and finance institutions, of 12%, originally established for the tax period in place at December 31, 2019 is adjourned to the tax period in place as at December 31, 2022 and the three subsequent tax periods. The deferral is made on a straight-line basis.
As a result of these laws, the amount of the deferred tax assets recognised on the financial statements will start to "move" starting from 2023 instead of from 2022 as provided by the previous extension made with the 2019 budget law.

With regard to deferred tax assets referred to in Law 214/2011, as a result of the express provision of Art. 56 of Decree Law 225 of December 29, 2010, the negative components corresponding to the deferred tax assets transformed into tax credits are not deductible, first offsetting on a priority basis decreases at the nearest maturity in an amount corresponding to a tax equal to the transformed DTAs.

With regard to the provisions of IAS 12, deferred tax assets are subject to probability testing, taking account of forecast profits in future years and verifying that future taxable income will be available against which the deferred tax assets can be used.
In particular, for the figures at December 31, 2019, the test performed, which took account of the 2020-2022 Business Plan presented on November 8 last, found that taxable income would be sufficient to use the deferred tax assets recognised by the bank.

The criteria used for the recognition of deferred tax assets can be summarised as follows:

- deferred tax assets correspond to the amounts of income tax that can be recovered in future years regarding temporary differences;
- a requirement for the recognition of deferred tax assets is that it is considered reasonably certain in view of corporate developments that taxable income will be generated against which the temporary deductible differences will be used.

Current IRES and IRAP taxes were calculated using the tax rates established in current tax law, using the new rate of 24% for IRES.
Due to the "debanking" of doValue, the ordinary IRES rate of 27.5% for credit and financial institutions is no longer applied. Therefore it was necessary to adjust the value of deferred tax assets to the new rates for commercial companies used to calculate current IRES taxes of 24%. On the other hand, with regard to the calculation of the new IRAP (regional production tax) rate applicable, unlike what was applied in the consolidated interim report as at June 30, 2019, article 162-bis of the Consolidated Income Tax Law (TUIR), introduced by article 12 of Legislative Decree no. 142/2018 implementing the ATAD Directive (Anti-Tax Avoidance Directive) defines "non-financial holding companies" as those that acquire shareholdings in other parties besides banks on an exclusive or prevalent basis.

With reference to the accounting data at December 31, 2019, due to the acquisition of Altamira and the granting of an intercompany loan to it, the Parent Company, doValue is classified as a non-financial holding company since the elements that refer to the investments in non-financial companies exceed 50% of the total assets in the financial statements. In accordance with that classification, doValue determines its tax base in accordance with ordinary companies, therefore the increased rate of 5.57% applies, equal to the rate applied to credit and financial institutions. Therefore, with reference to the DTA in place as at January 1, 2019 regarding the IRAP (Regional tax) component, no recalculation was made, and in conclusion, the net effect of the write-off of the DTA at December 31, 2019 amounted to € 9.2 million.





## Deferred tax assets Breakdown

(€/000)

| | 12/31/2019 | 12/31/2018 |
|---|---|---|
| Write-downs of loans (P&L) | 49,330 | 55,406 |
| Tax losses carried forward (P&L) | 5,874 | 19,397 |
| Provisions recognised through Equity | 487 | 42 |
| Provisions for risks and charges (P&L) | 4.669 | 4.842 |
| Property, plant and equipment / intangible assets (P&L) | 101 | 168 |
| Administrative expenses (P&L) | 32 | 77 |
| Other assets / liabilities (P&L) | 112 | 37 |
| **TOTAL** | **60,605** | **79.969** |

## Change

(€/000)

| | Income Statement | Recognised in equity | Total |
|---|---|---|---|
| **Opening balance** | **79,927** | **42** | **79,969** |
| Initial adjustments | - | - | - |
| **Increases** | **3,125** | **445** | **3,570** |
| Deferred tax assets recognised during the year | 2,446 | 91 | 2,537 |
| - In respect of previous years | - | - | - |
| - Due to changes in accounting policies | - | - | - |
| - Writebacks | - | - | - |
| - Other | 2,447 | 91 | 2,538 |
| New taxes or increases in tax rates | - | - | - |
| Other changes | - | 88 | 88 |
| Business combination | 679 | 266 | 945 |
| **Decreases** | **(22,935)** | **-** | **(22,935)** |
| Deferred tax assets derecognised during the year | (22,935) | - | (22,935) |
| - Reversals of temporary differences | (13,389) | - | (13,389) |
| - Writedowns of non-recoverable items | - | - | - |
| - Due to changes in accounting policies | - | - | - |
| - Other | (9,546) | - | (9,546) |
| Reduction in tax rates | - | - | - |
| Other changes | - | - | - |
| **TOTAL** | **60,118** | **487** | **60,605** |

### Deferred tax liabilities
### Breakdown

(€/000)

| | 12/31/2019 | 12/31/2018 |
|---|---|---|
| Provisions recognised through Equity | 20 | 1 |
| **TOTAL** | **20** | **1** |

### Change

(€/000)

| | Income Statement | Recognised in equity | Total |
|---|---|---|---|
| **Net opening balances** | **-** | **1** | **1** |
| Initial adjustments | - | - | - |
| | | | |
| **Increases** | **-** | **19** | **19** |
| Deferred tax liabilities recognised during the year | - | - | - |
| - In respect of previous years | - | - | - |
| - Due to changes in accounting policies | - | - | - |
| - Other | - | - | - |
| New taxes or increases in tax rates | - | - | - |
| Other changes | - | 19 | 19 |
| Business combination | - | - | - |
| | | | |
| **Decreases** | **-** | **-** | **-** |
| Deferred tax liabilities derecognised during the year | - | - | - |
| - Reversals of temporary differences | - | - | - |
| - Due to changes in accounting policies | - | - | - |
| - Other | - | - | - |
| Reduction in tax rates | - | - | - |
| Other changes | - | - | - |
| **TOTAL** | **-** | **20** | **20** |

## NOTE 6 - OTHER ASSETS

The following table provides a breakdown of other current and non-current assets at December 31, 2019 and at December 31, 2018.

(€/000)

| | 12/31/2019 | 12/31/2018 |
|---|---|---|
| **Other non current assets** | **85** | **99** |
| | | |
| **Other current assets** | **9,552** | **7,612** |
| Accrued income / prepaid expenses | 1,675 | 478 |
| Items for employees | 617 | 748 |
| Receivables for advances | 5,441 | 3,114 |
| Tax receivables | 180 | 3,100 |
| Other items | 1,639 | 172 |
| **TOTAL** | **9,637** | **7,711** |





The other current assets “Other items” at December 31, 2019 mainly include transaction costs relating to the future external business combination noted in the significant events in the Directors’ Report referring to the acquisition of control of 80% of Eurobank Financial Planning Services (FPS) provided for by the end of the first half of 2020. The overall transaction cost amount will be subsequently recorded upon increase of the acquisition price of the company.

## NOTE 7 - INVENTORIES

At December 31, 2019 the item amounted to €137 thousand (€564 thousand at December 31, 2018) and refers to the real estate portfolio, consisting of the value of 5 properties. During the year, 14 properties were sold with a reduction in inventories of €407 thousand from their value at December 31, 2018. The other decrease in this item (of € 20 thousand) is due to the write-downs made on the properties on the basis of the expert reports provided by an external independent appraisal company.

## NOTE 8 - TRADE RECEIVABLES

(€/000)

| | 12/31/2019 | 12/31/2018 |
|---|---|---|
| **Receivables** | **89,925** | **63,269** |
| Receivables accruing (Invoices to be issued) | 72,878 | 50,814 |
| Receivables for invoices issued but not collected | 17,047 | 12,455 |
| | | |
| **Provisions** | **(519)** | **-** |
| Provisions for expected losses on receivables | (519) | - |
| **TOTAL** | **89,406** | **63,269** |

Trade receivables arise in respect of invoices issued and accruing revenues from servicing activities.

## NOTE 9 - TAX ASSETS AND TAX LIABILITIES

The following table provides a breakdown of tax liabilities at December 31, 2019 and at December 31, 2018.

(€/000)

| | 12/31/2019 | 12/31/2018 |
|---|---|---|
| Current tax liabilities | 866 | 4,594 |
| VAT liability | - | 201 |
| Withholding taxes and others | 2.132 | 1,677 |
| **TOTAL** | **2,998** | **6,472** |

The decrease in Tax liabilities is mainly due to the combined effect of the accrual of tax payables for current taxes accrued during the period of € 6.8 million, net of the advances paid and IRES receivables of € 5.9 million and the reduction due to the reallocation to profit or loss of surplus amounts of € 5.1 million in allocations to the current tax provision carried out in previous years.

## NOTE 10 - **CASH AND CASH EQUIVALENTS**

The balance of €73.1 million, representing an increase of €36.1 million compared with the €37.0 million reported at December 31, 2018, represents the liquidity available at the end of the year.
For an analysis of changes in cash and cash equivalents, please see the cash flow statement.

## NOTE 11 - **ASSETS HELD FOR SALE AND RELATED LIABILITIES**

At December 31, 2019 the balance of assets held for the sale and associated liabilities was significantly lower due to the effect of the "debanking" process, which was completed during the first half of 2019 and involved the elimination of performing current accounts with customers credit and debit balances that had originated in our banking activities.

The residual balance of € 10 thousand refers to the investment at cost of the non-operating subsidiary Opportunity.

(€/000)

| | 12/31/2019 | 12/31/2018 |
|---|---|---|
| Non-current financial assets | 10 | 1,821 |
| **Total non-current assets** | **10** | **1,821** |
| **CURRENT ASSETS:** | | |
| **TOTAL ASSETS HELD FOR SALE** | **10** | **1,821** |
| **NON-CURRENT LIABILITIES:** | | |
| **CURRENT LIABILITIES:** | | |
| Other current financial liabilities | - | 6,532 |
| **Total current liabilities** | **-** | **6,532** |
| **TOTAL LIABILITIES ASSOCIATES WITH ASSETS HELD FOR SALE** | **-** | **6,532** |





# 3.2

# Liabilities

## NOTE 12 - **SHAREHOLDERS' EQUITY**

(€/000)

| | 12/31/2019 | 12/31/2018 |
|---|---|---|
| **Share Capital (euro thousand)** | 41,280 | 41,280 |
| Number of ordinary shares | 80,000,000 | 80,000,000 |
| Nominal value of ordinary shares | 0.52 | 0.52 |
| **Treasury Shares (euro thousand)** | 184 | 246 |
| Number of treasury shares | 1.164.174 | 1,554,353 |

Other reserves at December 31, 2019 and at December 31, 2018 break down as follows:

(€/000)

| | 12/31/2019 | 12/31/2018 |
|---|---|---|
| **Reserves from allocation of profits or tax-suspended reserves** | **18,594** | **13,979** |
| Legal reserve | 8,256 | 8,256 |
| Reserve art. 7 Law 218/90 | 2,305 | 2,305 |
| Tax-suspended reserve from business combinations | 3 | 3 |
| Reserve from FTA IAS art. 7 par. 7 Lgs. Decree 38/2005 | 8,780 | 8,780 |
| Reserve from FTA IAS IFRS 9 | 1,126 | 1,126 |
| Reserve from retained earnings IAS art. 6 par. 2 Lgs. Decree 38/2005 | (9,145) | (9,145) |
| Reserve established in by laws for purchase of treasury shares | 184 | 246 |
| Reserve from retained earnings - Share Based Payments | 7,085 | 2,408 |
| **Other reserves** | **120,724** | **112,365** |
| Extraordinary reserve | 102,970 | 95,860 |
| Reserve, Lgs. Decree no. 153/99 | 6,103 | 6,103 |
| Legal reserve for distributed earnings | 44 | 44 |
| Reserve art. 7 Law 218/90 | 4,179 | 4,179 |
| Reserve from business combinations | 579 | 578 |
| Share Based Payments Reserve | 6,849 | 5,601 |
| **TOTAL** | **139,318** | **126,344** |

Other reserves increased by €13 million in the period due mainly to:
- a €7.1 million increase in the **Extraordinary reserve** formed in implementation of the resolution approved by the Shareholders' Meeting of April 17, 2019 which allocated a portion of profit for the previous year;
- a €5.9 million net increase in **Share Based Payments** reserves accounted for pursuant to IFRS 2 in implementation of the post-IPO remuneration policy, which provides for the grant of shares as remuneration to certain categories of managers.

Balance Sheet

# NOTE 13 - **LOANS AND OTHER FINANCING**

(€/000)

| | Interest Rate % | Due Date | 12/31/2019 | 12/31/2018 |
|---|---|---|---|---|
| **Non-current loans and other financing** | | | **284,944** | **-** |
| Bank loan | 2,50% | 22-mar-2024 | 284,944 | - |
| **Current loans and other financing** | | | **79,683** | **-** |
| Bank loan | 2,50% | 31-dec-2020 | 79,683 | - |
| **TOTAL** | | | **364.627** | **-** |

The balance of loans and other financing at December 31, 2019 mainly includes the loans from banks taken-out as part of the acquisition of Altamira at the end of the first half of 2019.
The loan (the Facility Loan) has a term of 5 years and provides for repayment in six-monthly instalments. The rate is variable (6-month Euribor plus a spread margin linked to a number of financial covenants monitored on a quarterly basis). In order to cover the rate variability, hedging was also provided with a cash flow hedge instruments pursuant to the table in Note 14.
Pursuant to IFRS 9, the debt is measured on the basis of the amortised cost criteria and therefore takes account of the costs connected with obtaining the loan.

# NOTE 14 - **OTHER FINANCIAL LIABILITIES**

(€/000)

| | 12/31/2019 | 12/31/2018 |
|---|---|---|
| **Other non-current financial liabilities** | **8,910** | **-** |
| Lease liabilities | 8,853 | - |
| Hedging derivatives | 57 | - |
| **Other current financial liabilities** | **45,082** | **-** |
| Lease liabilities | 4,961 | - |
| Earn-out | 39,811 | - |
| Hedging derivatives | 310 | - |
| **TOTAL** | **53,992** | **-** |

The other financial liabilities consist of the three items indicated in the table above.
The **lease liabilities**, divided into current and non-current components, represent the recognition of the discounted value of lease instalments following the introduction of IFRS 16, as explained in the section on Accounting Policies. Please refer to Note 20 for the movements during the year of the lease liabilities.
The liability for the **earn-out** is connected with the Altamira acquisition and represents a portion of the Altamira acquisition price that will be defined within two years of the date of the agreement, i.e. at the end of December 2020.
Derivative hedging contracts comprise the interest rate swap ("IRS") contracts that the Company has agreed with leading banks with starting date of June 28, 2019 and maturity date of March 22, 2024.
These derivative contracts cover the risk of interest rate fluctuations on loan contracts as described in Note 13 "Loans and Other Financing". The IRS in question are amortising, with a notional initial total value of € 311 million and residue of € 280 million as at December 31, 2019.
The fair value of said derivative contracts is negative and amounts to a total of € 0.4 million. Since the hedging terms of the derivative contracts were fulfilled with the underlying loans, they were accounted for using hedging accounting methods, recording the changes in fair value as an offsetting item in the cash flow hedge shareholders' equity reserve. This value represents the initial recognition in the shareholders' equity reserve, with the derivative starting from the 2019 financial year with the purpose of the hedging always complied with.

## Net indebtedness

In accordance with what is required by the Consob communication of July 28, 2006 and in compliance with the CESR Recommendation of February, 10 2005 "Recommendations for the uniform implementation of the regulation of the European Commission on information prospectuses" the net indebtedness of the Company as at December 31, 2019 is reported.

(€/000)

| Note | | | 12/31/2019 | 12/31/2018 |
|---|---|---|---|---|
| 10 | A | Cash on hand | 4 | 2 |
| 10 | B | Cash at banks and short-term deposits | 73,098 | 36,996 |
| - | C | Trading securities | - | - |
| | **D** | **Liquidity (A)+(B)** | **73,102** | **36,998** |
| 4 | E | Current financial assets | 35,539 | 999 |
| 13 | F | Non-current loans | - | - |
| 13 | G | Current bank debt | (79,683) | - |
| 13 | H | Other current financial debt | (45,082) | - |
| | **I** | **Current financial indebtness (F)+(G)+(H)** | **(124,765)** | - |
| | **J** | **Net current financial indebtness (I)+(E)+(D)** | **(16,124)** | **37,997** |
| 13 | K | Bank loan, non-current | (284,944) | - |
| - | L | Bond Issued | - | - |
| 14 | M | Other non-current loans | (8,910) | - |
| 4 | N | Non-current financial assets | 126,926 | |
| | **O** | **Non-current financial indebtness (K)+(L)+(M)+(N)** | **(166,928)** | - |
| | **P** | **Net financial indebtness (J)+(O)** | **(183,052)** | **37,997** |

Compared to the net financial position reported in the Directors' Report of € 129.0 million, this prospectus includes the debt items described under letters H and M, for a total of € 54.0 million.
A reconciliation table between the two different representations is set out below:

(€/000)

| | | 12/31/2019 | 12/31/2018 |
|---|---|---|---|
| **A** | **Net financial indebtness** | **(183,052)** | **37,997** |
| B | Other current financial debt | 45,082 | - |
| C | Other non-current loans | 8,910 | - |
| **D** | **Items excluded from the Net financial position** | **53,992** | **-** |
| E | Deposits from customers | - | 6,532 |
| **F** | **Items included in the Net financial position and excluded from the Net financial indebtness** | **-** | **6,532** |
| **G** | **Net financial position (A)+(D)+(F)** | **(129,060)** | **44,529** |

# NOTE 15 - **EMPLOYEE BENEFITS**

The following table shows changes in the provision for the TFR termination payment scheme at December 31, 2019 and at December 31, 2018.

(€/000)

| | 12/31/2019 | 12/31/2018 |
|---|---|---|
| **Opening balance** | **4,806** | **4,991** |
| **Increases** | **4,017** | **313** |
| Provisions for the year | 120 | 75 |
| Others changes | 3,897 | 238 |
| **Decreases** | **(1,624)** | **(498)** |
| Benefits paid | (1,412) | (120) |
| Others changes | (212) | (378) |
| **CLOSING BALANCE** | **7,199** | **4,806** |

Payments made during the period, up compared to 2018, were due to certain voluntary redundancy actions put in place by doValue in accordance with the provisions included in the industrial plan.

The increases and decreases under "Other changes" include the changes related to the various business combination transactions reported in the Report on Operations. The main effect, classified in the Increases - Other changes, mainly refers to the demerger from Italfondiario to doValue on January 1, 2019.

# NOTE 16 - **PROVISIONS FOR RISKS AND CHARGES**

(€/000)

| | Total Funds in exchange for "Provisions for risk and charges" | | | | | | Funds in exchange for other items | Total |
|---|---|---|---|---|---|---|---|---|
| | Legal and tax disputes | - o.w. Employee disputes | Out-of-court disputes and other provisions | - o.w. Employee disputes | Provisions for other commitments and guarantees issued | Total Funds in exchange for "Provisions for risk and charges" | Potential liabilities for employee | |
| **Opening balance** | **6,995** | **71** | **3,293** | - | - | **10,288** | **6,915** | **17,203** |
| *Initial adjustments* | - | - | 151 | - | - | 151 | - | 151 |
| **Increases** | **2,299** | **320** | **2,659** | - | - | **4,958** | **7,534** | **12,492** |
| Provisions for the year | 1,993 | 247 | 2,230 | - | - | 4,223 | 5,617 | 9,840 |
| Changes due to the passage of time and changes in the discount rate | (22) | 0 | 9 | - | - | (13) | 7 | (6) |
| Other changes | 328 | 73 | 420 | - | - | 748 | 1,910 | 2,658 |
| **Decreases** | **(713)** | **(60)** | **(1,864)** | - | - | **(2,577)** | **(8,468)** | **(11,045)** |
| Reallocations of the year | (228) | (15) | (1,812) | - | - | (2,040) | (296) | (2,336) |
| Utilisation for payment | (485) | (45) | (52) | - | - | (537) | (7,627) | (8,164) |
| Other changes | - | - | - | - | - | - | (545) | (545) |
| **CLOSING BALANCE** | **8,581** | **331** | **4,239** | - | - | **12,820** | **5,981** | **18,801** |





The **legal and tax disputes** primarily contains the provision in respect of the risks of litigation brought against the Company concerning its core activities, up by a net amount of € 1.6 million, with € 2.0 million of this for provisions, € 0.3 million for the demerger of the branch from Italfondiario and € (0.7 million) down for uses and provision releases.

The item **Out-of-court disputes and other provisions** mainly reports provisions for risks for which no litigation has currently been undertaken.
In that item, among the provisions, there is hedging, for € 2.2 million, for the estimated liabilities due to risks resulting from compensation obligations due to a specific Settlement Agreement; the total net amount of this category was reduced following the release of previous residual amounts of provisions against possible risks resulting from carrying out the activity, in the absence of legal actions that are no longer in place.

The item **Potential Liabilities** for employee includes provisions to finance any bonuses not governed by existing agreements or determinable quantification mechanisms and MBO bonuses. The amount of this component also reflects the remuneration policies, which for certain categories of manager envisage changes in the structure of variable remuneration, which provides for deferred amounts and the grant of equity instruments.

The adjusted initial balance of €0.2 million relates to the provision for costs to restore office premises, in application of IFRS 16. For more information, see the appropriate part of the section on Accounting Policies.

## Risks connected with outstanding litigation

The Company operates in a legal and legislative context that exposes it to a vast range of possible litigation connected with the core business of servicing, loan recovery, potential administrative irregularities and labour litigation.
The associated risks are assessed periodically in order to quantify a specific allocation to the "Provision for risks and charges" whenever an outlay is considered probable or possible on the basis of the information that becomes available, as provided for in the specific internal policies.

# NOTE 17 - **TRADE PAYABLES**

(€/000)

| | 12/31/2019 | 12/31/2018 |
|---|---|---|
| Payables to suppliers for invoices to be received | 12,542 | 8,569 |
| Payables to suppliers for invoices to be paid | 3,950 | 7,962 |
| **TOTAL** | **16,492** | **16,530** |

## NOTE 18 - **OTHER CURRENT LIABILITIES**

The composition of Other current liabilities, which mainly include payables to personnel and related social security contributions, is shown in the following table.
The change compared to December 31, 2018 mainly refers to the demerger of the branch from Italfondiario and other debt items relating to staff, including the non-recurring amount of € 1.7 relating to early retirement packages.

(€/000)

| | 12/31/2019 | 12/31/2018 |
|---|---|---|
| Amounts to be paid to third parties | 76 | 219 |
| Amounts due to personnel | 4,341 | 1,522 |
| *o.w. employees* | *4,341* | *1,522* |
| Amounts due to pension and social security institutions | 2,806 | 1,979 |
| Items being processed | 2,502 | 2,240 |
| Other items | 2,056 | 363 |
| Accrued expenses / deferred income | 159 | 238 |
| **TOTAL** | **11,940** | **6,561** |

## NOTE 19 - **SHARE-BASED PAYMENTS**

The Shareholders' Meeting of doValue, previously doBank, approved the "Remuneration and bonus policies for 2019" on April 17, 2019, which include remuneration systems in those cases through the use of their own financial instruments. They include the following types of remuneration:

- A portion of the fixed remuneration and the entire variable component resulting from the annual Management By Objectives (MBO) bonus system of the Chief Executive Officer is paid in shares;
- A portion of the variable remuneration resulting from the Key Resources MBO system (from the Key Staff) and the Selected Resources (who have responsibilities with respect to project initiatives and planning) is given in shares. This is in the assumption that an over performance has been achieved within the MBO system, with the resulting recognition of a variable remuneration up to the limit of 200% of the fixed remuneration.

The variable component of the remuneration indicated above is paid in part up front and in part on a deferred basis. The up-front portion is recognised after the approval, by the Shareholders' Meeting, of the financial statements referred to the accrual period and no later than the month of July.
The deferred variable portion is subject to a time lag that will vary from 3 to 5 years in accordance with the recipient.
To assure, over time, capital stability, liquidity and the ability to generate correct profitability for the risk, consistently with doValue's long term strategic objectives, the deferred portions are paid out at the condition that the gates pertaining to financial soundness and liquidity, are attained, measured with reference to the year before their vesting period.
For shares allocated up-front, a two-year retention period is prescribed, while for the remaining deferred portions a year of retention is prescribed, to elapse from the time of their vesting.
DoValue uses treasury shares in portfolio for the above-mentioned types of remuneration.
The applicable price to calculate the number of shares to assign as the equivalent value of the variable remuneration in question is calculated by using the average of the stock market prices in the 3 months prior to the grant date. For the fixed remuneration paid for by shares for the Chief Executive Officer, the applicable price is calculated by using the average stock market prices in the 30 days prior to the grant date.
In order to reflect the performance and risk levels actually taken on, and take account of the individual behaviour, doValue provides for application of ex post correction mechanisms (malus and claw-back) defined in accordance with the provisions of the applicable national collective agreements, where applicable, or any individual contracts/mandates.
For more details on the mechanisms and terms of attribution of the shares, please refer to the information documentation published on the internet website of doValue www.dovalue.it ("Governance / Remuneration" section).





The portion charged to the income statement for the portion relating to 2019 amounts to € 5.9 million and is reflected in a specific shareholders' equity reserve.

## NOTE 20 - **LOANS AND OTHER FINANCING**

doValue has leasing contracts in place for properties and vehicles and that are used in operating activities or allocated to employees. The property leases generally have an original duration of 6 years, while the vehicle leases generally have an original duration of 4 years. The liabilities relating to these leasing contracts are guaranteed by the ownership of the liabilities on the leased items. Generally, doValue cannot lease out its leased goods to third parties. Most of the lease contracts include renewal or cancellation options which are typical in property lease contracts while variable payments are not provided for.
doValue also has some leases for properties and vehicles, where the duration is equal to or less than 12 months. For these contracts, doValue has chosen to apply the exceptions provided for under IFRS 16 regarding short-term.

Information is provided below on the amounts in the financial statements of the right-of-use assets and their movements in the period:

(€/000)

| | Buildings | Other tangible assets | Total |
|---|---|---|---|
| **Opening balances** | **11,278** | **472** | **11,750** |
| **Increases** | **6,093** | **278** | **6,371** |
| Purchases | 3,736 | 278 | 4,014 |
| Other changes | 2,357 | - | 2,357 |
| **Decreases** | **(4,124)** | **(276)** | **(4,400)** |
| Amortisation | (3,747) | (175) | (3,922) |
| Other changes | (377) | (101) | (478) |
| **CLOSING BALANCES** | **13,247** | **474** | **13,721** |

Information is provided below on the amounts in the financial statements of the leasing liabilities (including under "Other financial liabilities") and their movements in the period:

(€/000)

| | Lease liabilities |
|---|---|
| **Opening balances** | **11,599** |
| **Increases** | **6,473** |
| New liabilities | 3,946 |
| Financial expenses | 266 |
| Other changes | 2,261 |
| **Decreases** | **(4,259)** |
| Payments | (3,774) |
| Other changes | (485) |
| **CLOSING BALANCES** | **13,813** |
| o.w.: Non-current lease liabilities | 8,853 |
| o.w.: Current lease liabilities | 4,960 |

The amounts recorded on the statement on the profit / (loss) for the year:

(€/000)

| | 12/31/2019 |
|---|---|
| Amortisation of right-of-use assets | (3,922) |
| Financial expenses from lease liabilities | (266) |
| **Total amounts recognised in Income Statement** | **(4,188)** |



# 4

# INCOME STATEMENT

# NOTE 21 - **REVENUE FROM CONTRACTS WITH CUSTOMERS**

(€/000)

| | 12/31/2019 | 12/31/2018 |
|---|---|---|
| Servicing services | 100,885 | 99,635 |
| Servicing for securitisations | 92,574 | 46,851 |
| **TOTAL** | **193,459** | **146,486** |

**Revenues from contracts with customers** mainly due to collection fees on recoveries on management contracts and from portfolio transfer indemnities, show an overall increase of 32% compared to 2018, influenced by the above-mentioned demerger of the Italfondiario servicing branch.

# NOTE 22 - **OTHER REVENUES**

(€/000)

| | 12/31/2019 | 12/31/2018 |
|---|---|---|
| Administrative Servicing / Corporate Services Provider | 13,961 | 15,821 |
| Recovery of expenses | 3,312 | 3,677 |
| Due diligence & Advisory | 366 | 1,058 |
| Other revenues | 1,927 | 1,275 |
| **TOTAL** | **19,566** | **21,831** |

The item **Other revenue** decreased by around 10% compared with the previous period, mainly due to the lower income related to administrative services and the due diligence and advisory activities.

# NOTE 23 - **COSTS FOR SERVICES RENDERED**

(€/000)

| | 12/31/2019 | 12/31/2018 |
|---|---|---|
| Costs for management of agency contracts | (14,182) | (17,554) |
| Costs for other services | (135) | (168) |
| **TOTAL** | **(14,317)** | **(17,722)** |

This item, mainly includes the fees relating to the debt collection network, was down by 19%, mainly due to making the portfolios more efficient, for which doValue was already a special servicer in 2018, even though partially offset by the commissions on the special servicing activities and the debt collection related also to portfolios previously managed by Italfondiario prior to January 1, 2019.





# NOTE 24 - **PERSONNEL EXPENSES**

(€/000)

| | 12/31/2019 | 12/31/2018 |
|---|---|---|
| Payroll employees | (82,392) | (51,644) |
| Members of Board of Directors and Board of Auditors | (7,206) | (6,708) |
| Other personnel | (197) | (2,074) |
| **TOTAL** | **(89,795)** | **(60,426)** |

## Average number of employees by category

| | 12/31/2019 | 12/31/2018 |
|---|---|---|
| **Payroll employees** | **1,050** | **699** |
| a) Executives | 37 | 33 |
| b) Managers | 438 | 291 |
| c) Other employees | 575 | 375 |
| **Other staff** | **12** | **9** |
| **TOTAL** | **1,062** | **708** |

Staff costs were up by 49% on the previous year mainly due to the increase in the resources working with the Company following the partial demerger of Italfondiario. The increase is also due to costs to encourage early retirement which amounted to €4.3 million in 2019 compared to € 0.7 million in 2018.

# NOTE 25 - **ADMINISTRATIVE EXPENSES**

(€/000)

| | 12/31/2019 | 12/31/2018 |
|---|---|---|
| External consultants | (5,292) | (5,975) |
| Information Technology | (19,188) | (11,656) |
| Administrative and logistical services | (9,994) | (8,076) |
| Rentals, building maintenance and security | (2,768) | (6,422) |
| Insurance | (1,439) | (992) |
| Indirect taxes and duties | (1,975) | (2,721) |
| Postal services, office supplies | (25) | 269 |
| Indirect personnel expenses | (1,128) | (1,247) |
| Debt collection | (2,116) | (2,381) |
| Utilities | (846) | (1,063) |
| Advertising and marketing | (331) | (413) |
| Other expenses | (249) | (394) |
| **TOTAL** | **(45,351)** | **(41,071)** |

**Administrative expenses** increased (+10%) compared with the previous period, mainly due to the above-mentioned demerger of the Italfondiario servicing branch.
Rents, property maintenance and security was significantly down due to application of the new accounting standard IFRS 16.

## NOTE 26 - OTHER OPERATING CHARGES / INCOME

(€/000)

| | 12/31/2019 | 12/31/2018 |
|---|---|---|
| Reductions in assets | (297) | (46) |
| Other expenses | (302) | (57) |
| **TOTAL** | **(599)** | **(103)** |

## NOTE 27 - DEPRECIATION, AMORTISATION AND IMPAIRMENT

(€/000)

| | 12/31/2019 | 12/31/2018 |
|---|---|---|
| **Intangible assets** | **(250)** | **(165)** |
| Amortisation | (250) | (165) |
| **Property, plant and equipment** | **(4,440)** | **(366)** |
| Amortisation | (4,440) | (366) |
| **Financial assets measured at amortised cost** | **(51)** | **51** |
| Write-downs | (66) | (11) |
| Write-backs | 15 | 62 |
| **Inventories** | **(20)** | **(56)** |
| Impairment | (20) | (56) |
| Write-backs | - | 0 |
| **Trade receivables** | **(333)** | **-** |
| Write-downs | (333) | - |
| **TOTAL** | **(5,094)** | **(536)** |

The increase recorded in 2019 compared to the same period of the previous year primarily reflects the application of the new IFRS 16, with the recognition starting from January 1, 2019, of the rights of use deriving from building and car leases. For more details, see also the Accounting Policies section.



Income Statement

## NOTE 28 - PROVISIONS FOR RISKS AND CHARGES

(€/000)

| | 12/31/2019 | | | 12/31/2018 | | |
|---|---|---|---|---|---|---|
| | Provisions | Reallocations | Total | Provisions | Reallocations | Total |
| Legal and tax disputes | (1,971) | 228 | **(1,743)** | (2,451) | 1,864 | **(586)** |
| *o.w. Employee disputes* | *(248)* | - | ***(248)*** | *(100)* | *778* | ***678*** |
| Out-of-court disputes | (2,239) | 1,812 | **(428)** | (423) | 3,144 | **2,721** |
| **TOTAL** | **(4,210)** | **2,040** | **(2,170)** | **(2,874)** | **5,008** | **2,134** |

The item consists of the operational changes in provisions, with the exception of those for employee benefits (classified under personnel costs), allocated to meet legal and contractual obligations that are presumed will require an outflow of economic resources in subsequent years.
The item shows a negative balance of €2.2 thousand as at December 31, 2019 compared with a positive balance of €2.1 million in 2018. This change reflects the significant use of excess provisions from the previous year for a number of disputes that did not go to litigation and were not repeated in the current year.
The provisions for 2019 relating to out-of-court disputes (€ 2.2 million) cover the risks resulting from compensation obligations due to a specific commercial Settlement Agreement entered into during the year, while the slightly lower uses (€ 1.8 million) emerged following the release of previous residual amounts of provisions against the possible risks resulting from carrying out the activity, in the absence of legal actions of which there were none by the end of the year.

## NOTE 29 - FINANCIAL (EXPENSE)/INCOME

(€/000)

| | 12/31/2019 | 12/31/2018 |
|---|---|---|
| **Financial income** | **3,892** | **962** |
| Income from financial assets measured at fair value through P&L | 568 | 912 |
| Income from financial assets measured at amortised cost | 2,824 | 50 |
| Other financial income | 500 | 0 |
| **Financial expense** | **(7,698)** | **(1)** |
| Expense from financial liabilities measured at amortised cost | (6,748) | (1) |
| Expense from hedging derivates | (193) | - |
| Other financial expenses | (757) | - |
| **Net change of other financial assets and liabilities measured at fair value through P&L** | **1,737** | **414** |
| Debt securities | 688 | 414 |
| Units in collective investment undertakings | 1,049 | - |
| **TOTAL** | **(2,069)** | **1,375** |

**Financial income** mainly includes the earnings on the loan granted to Altamira (€ 2.8 million).
**Borrowing costs** mainly relate to the loan taken out at the end of June for the acquisition of Altamira (€ 6.7 million); the charges from hedging derivatives also refer to the cover through Interest Rate Swap contracts (IRS) of the same loan.
The other borrowing costs related to the portion of interest calculated in accordance with IFRS 16, which applied starting from January 1 2019.
The category **Net change in the amount of the financial assets and liabilities measured at fair value through P&L** includes both revenue from the Romeo and Mercuzio securities, whose measurement at fair value in accordance with IFRS 9 determined a positive measurement of € 0.7 million as a whole, and a gain of € 1.0 million linked to the measurement of the Italian Recovery Fund collective investment undertaking shares based on the NAV of the transaction at December, 31 2019.

## NOTE 30 - **DIVIDENDS AND SIMILAR INCOME**

The item includes the dividends collected from the subsidiary Italfondiario for € 6.9 million.

## NOTE 31 - **INCOME TAX EXPENSE**

(€/000)

| | 12/31/2019 | 12/31/2018 |
|---|---|---|
| Current tax | (6,800) | (6,633) |
| Changes in prior year taxes | 5,266 | - |
| Changes in deferred taxes assets | (20,489) | (12,161) |
| **TOTAL** | **(22,023)** | **(18,794)** |

Income taxes for the period amounted to €22.0 million, with a 17% increase compared to the previous period. This change is due to both the different tax rate applied for the two periods, in addition to the following:

- the net adjustment of €9.2 million of the amount of the deferred tax assets of doValue to reflect the new tax rate;
- the cancellation of DTA due to the past tax losses calculated in view of the tax charge for the period (amounting to €10.8 million);
- the release to profit or loss of €5.1 million in excess provisions for current taxes recognised in previous years.





The reconciliation between the tax charges recorded in the financial statements and the theoretical tax charge, calculated on the basis of the theoretical tax rate in effect in Italy, is the following:

(€/000)

| | 12/31/2019 | 12/31/2018 |
|---|---|---|
| **PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS** | **60,530** | **62,167** |
| **Theoretical tax rate** | **24%** | **27.5%** |
| **Theoretical computed taxes on income** | **(14,527)** | **(17,096)** |
| - Non-taxable income - permanent differences | 1,165 | 2,665 |
| - Non-deductible expenses - permanent differences | (220) | (313) |
| - IRAP (regional business tax) | (4,100) | (3,895) |
| - Prior years and changes in tax rates | (4,341) | (156) |
| - Other differences | - | 1 |
| **Income tax recognised in income statement** | **(22,023)** | **(18,794)** |

For this reconciliation, IRAP tax is not taken into consideration since it has a taxable basis that is different from the result before tax of continuing operations. Theoretical income taxes are therefore calculated by applying only the tax rate in effect in Italy ("IRES"), equal to 24.0%, on the result before tax of continuing operations.

# 5

# INFORMATIONS ON **RISKS** AND **RISK MANAGEMENT POLICIES**

# INTRODUCTION

doValue, in line with the applicable regulations and best practices, is equipped with an Internal Control System which aims to constantly monitor the main risks connected with the Company's activities, in order to guarantee sound and prudent company management consistent with the pre-established objectives.

The Company Internal Control System is based on control bodies and departments, information flows and mechanisms to involve the applicable parties and Company governance mechanisms. More specifically, the Company has structured its internal control organisational model by pursuing the need to ensure the integration and coordination between the internal control system players, in compliance with the principles of integration, proportionality and cost-effectiveness.

As set out in more detail in the Company Governance Report to which the reader should refer, in the first half of 2019, the structure of the Internal Control System was revised to reflect the impact resulting from the doValue group reorganisation project and the changed regulatory environment that applied.

The essential elements of that project with an impact on the Company Control System were represented by the following:

- transformation of doValue into a credit management company authorised in accordance with article 115 TULPS (Consolidated Law on Public Security);
- winding-up of the pre-existing banking Group;
- continuation of the subsidiary Italfondiario, a financial intermediary registered with the register pursuant to 106 of the Consolidated Banking Law, to whom the Supervisory regulation pursuant to Circular 288 of April 3, 2015 of Bank of Italy applies.

These elements informed the review of the structure of the internal control system which led to the following main amendments:

- redefinition of the management, coordination and control model of the doValue and the role covered in that model by the doValue, by complying with the approach mainly based on the Bank of Italy Supervisory Provision requirements and arranging it in the terms provided by the Civil Code for economic groups;
- introduction into the Internal Control System of the newly-established "Internal Control Department" (that the internal audit and anti-money laundering units report to) in order to ensure united risk governance coordination and guarantee an overall assessment of its adequacy;
- review of the mission of doValue Internal Audit Function. While it was confirmed that the internal audit activities would be concentrated in that Unit for the whole scope Group starting from the completion of the debanking process, and with sole reference to the Parent Company and its non-supervised subsidiaries, it will also have to carry out a periodic inspection campaign to ensure compliance with the applicable laws for said legal entities;
- even though within the scope of a centralised governance model of the regulatory framework aimed at preventing money laundering, in line with the provisions of the IV EU Directive, assigning the scope of the doValue Anti-Money Laundering Function back to the Parent Company and non-supervised Subsidiaries, and establishment of independent Anti-money laundering Units in the organisational divisions of the subsidiaries Italfondiario and doValue Hellas;
- review of the scope of the Corporate Control Functions since the obligations of Circular no. 285/2013 of the Bank of Italy no longer apply. Therefore the Corporate Control Functions currently comprise the Internal Audit and Anti-money laundering Units and the Financial Reporting Officer in the doValue, the Risk Management, Compliance and AML Unit of Italfondiario (in accordance with the provisions of Circular no. 288/2015 of the Bank of Italy) and the Anti-money laundering Unit of doValue Hellas;
- review of the definition and operating area of the other Company Units involved in management of the internal control system, monitoring specific regulatory / risk areas, with the doValue Operational Risk Management and Compliance & DPO Operating Unit falling under said operating area;
- review and update of the information flows relating to the Internal Control System in order to make the model consistent with the new organisational structure of the doValue, and the flows to the Supervisory Authority to reflect the effects of the debanking.

The Internal Control System continues to be structured as follows regardless of the above-mentioned organisational changes:

- the primary responsibility for the completeness, adequacy, functionality and reliability is attributed to the governance bodies, and, in particular, to the Board of Directors, which is responsible for the strategic planning, management, evaluation and monitoring of the overall internal control system; To that end, the Chief Executive Officer in particular also performs the role of Director in charge of supervising the efficiency of the internal control and risk management system in accordance with the Code of Corporate Governance. On the other hand, the Board of Statutory Auditors is responsible for supervising the completeness, adequacy and efficiency of the Internal Control System, ensuring the adequacy of the company units involved, the correct performance of duties and the adequate coordination of duties, also promoting any corrective actions;
- level three controls, allocated to the Internal Audit function, are targeted at periodically evaluating the completeness, functionality, adequacy and reliability in terms of the efficiency and effectiveness of the internal control system in relation to the nature and intensity of the risks of the company requirements, by also identifying any breaches of the organisational measures adopted by the Group;
- level two controls aim to ensure the correct implementation of the risk management process, to verify observance of the limits assigned to the various operating functions, to control the consistency of the operations of the individual production areas with the risk-return objectives assigned as well as guarantee the compliance of company operations with the rules, including those of self-regulation;
- level one controls are aimed at ensuring the proper performance of the transactions and will be carried out by the company units responsible for business / operating activities, during the course of daily operations to identify, measure, monitor and mitigate risks deriving from ordinary company activities, in compliance with the risk management process and the applicable internal procedures.

The adoption of an Internal Control and risk management system is also consistent with the provisions of the Borsa Italiana Corporate Governance Code, which doValue decided to adopt to after its listing on the Italian regulated market (MTA), in the awareness that one of the crucial elements of the governance of a listed company is precisely its internal control system.

## Board of Directors and Risk and Transactions with Connected Persons Committee

The guidelines of the Internal Control and risk management System are defined by the Board of Directors of the doValue in accordance with the strategic guidelines and risk appetite it has established. The Board therefore, in line with Application Criteria 7.C.1 letter a) of the Code of Corporate Governance, ensures that the main risks are correctly identified, measured and monitored in an adequate way, also taking account of their development and interaction.
The Board of Directors will make the assessments and make decisions on the internal control and risks management system, along with the support of the Risk and Transactions with Connected Persons Committee.
The Board of Directors will encourage the promotion of a corporate culture of internal controls that enhance the value of corporate control functions to ensure all corporate staff are aware of its role. To that end, the Board of Directors approved a Code of Ethics, attached to the Organisational and Management Model pursuant to Legislative Decree 231/2001, which formalises the principles that the behaviour of the company bodies and employees have to comply with in fulfilling the applicable obligations.

## Board Of Statutory Auditors

The Board of Statutory Auditors supervise to ensure the adequacy and efficiency of the Internal Control System and the management and risk control processes, ensuring the adequacy of the company units involved, the correct performance of duties and the adequate coordination of duties, also promoting any corrective actions for any shortcomings or wrongdoing found.
In accordance with the governance model adopted by the Group, the Board of Statutory Auditors of the Parent Company is also assigned the supervisory board functions pursuant to Legislative Decree 231/2001.

## Corporate control functions

Upon completion of the reorganisation of the Group Internal Control System as noted at the beginning of this chapter, the Internal Audit and Anti-money laundering units form part of the doValue corporate control functions, reporting directly to the Internal control Department and the Financial Reporting Officer in accordance with Law 262/05. These functions are separate from one another and hierarchically independent from the company functions that carry out the activities that are subject to their controls.

## Internal Control Department

The Internal Control Department ensures the coordination at unitary level of risk governance - in accordance with the lines of strategic development of the Parent Company - and guarantees overall assessment while also ensuring the adequacy of the controls implemented in the processes and the corporate systems.
In order to ensure the centralised oversight and coordination of the control activities, and the planning and performance of the inspections, and to provide guidelines to govern risks, the Internal Audit Unit and Anti-money laundering Unit report directly to the Head of the control Department, in order to monitor, respectively:

- the adequacy, efficiency, reliability and compliance of the business and support corporate processes and the adequacy of the organisational, administrative and accounting structure;
- the risk of money laundering and terrorist financing.

## Internal Audit Function

Within the scope of the centralised organisational model adopted by doValue regarding the Internal Control System, the Internal Audit Function established at the Company will carry out the internal audit role on behalf of both the Company and its subsidiaries, and ensure the constant, independent and objective assessment of the overall internal control system to guarantee the related objectives and ensure that the effectiveness and efficiency of the organisation continue to be improved.





The Function directly notifies the divisions involved of the results of the assessments and the evaluations made. In any case, reconciliation between it and the Chief Executive Officer of doValue will be ensured through adequate information flows and the Internal Control System Coordination managerial committee which will have to implement a coordinated and structured method to ensure the correct functioning of the Internal Control System and the related remedial plans and those relating to the management and monitoring of the risks. The Unit also has direct access to the Board of Statutory Auditors and will communicates with it without restrictions or intermediaries.
In general terms, the function will guarantee support to top corporate management in the promotion and diffusion of an adequate and solid internal control culture in doValue.

## Anti-Money laundering function

Even within the scope of a centralised governance model of the regulatory framework aimed at preventing money laundering, in line with the provisions of the IV EU Directive, upon completion of the debanking process, the organisational model providing for the centralisation of the Anti-Money Laundering Function for all the companies subject to said law no longer applies. To that end therefore, the scope of responsibility of the doValue Anti-Money laundering function in managing the risk of money laundering and terrorist financing was only assigned to doValue and the non-supervised Subsidiaries. Therefore independent anti-money laundering functions were established in the organisational structures of the subsidiaries Italfondiario and doValue Hellas.
The strategic decisions at Group level relating to management of the risk of money laundering and terrorist financing will be made by doValue Corporate Bodies. The corporate bodies of the other companies that belong to doValue will each be responsible, in accordance with their duties, for implementing the strategies and management policies against the risk of money laundering and terrorist financing defined by doValue within the scope of their own corporate situations.

## Financial Reporting Officer

In accordance with the provisions of the reference regulations, the Board of Directors of the Parent Company has appointed a Financial Reporting Officer, with the responsibilities set out in the external regulations to define and implement an appropriate internal control system on financial information within doValue and to arrange adequate administrative and accounting procedures for drawing up the financial statements and consolidated financial statements for the year, as well as any other communication of a financial nature.
The Financial Reporting Officer also certifies, together with the Chief Executive Officer, the adequacy and effective application of the above mentioned administrative and accounting procedures with regard to the financial statements of doValue for the period to which they refer, as well as the reliability of the data they contain and their compliance with the reference accounting standards.
Lastly, this Function verifies and certifies, through the special declaration, that these statements and the Company's communications to the market relative to the financial statements, including interim statement, are consistent with the Company's accounting figures, books and documents.

## Other Corporate Functions with control duties

The Operational Risk Management and Compliance & DPO Operating Units of doValue fall within the operating area of the Corporate Units of doValue involved in the management of the Internal Control System, monitoring specific regulatory/risk areas.

## Compliance & DPO Operating Unit

Within the scope of the new Internal Control System set out following the debanking, the following controls with oversight duties were identified in the Compliance & DPO Operating Unit:

- Head of Data Protection (Data Protection Officer or DPO) of doValue;

- Anti-bribery manager

The Parent Company DPO provides support and control functions, consultation, training and information relating to application of the GDPR and national laws on processing personal data, cooperates with the Authorities and establishes the point of contact, also with respect to the data subjects, for issues relating to the processing of personal data. The Manager of the Compliance & DPO Operating Unit also fulfils the role of Anti-bribery Manager

### Operational Risk Management Operating Unit

The Operational Risk Management Operating Unit reports directly to the Operations Department in order to contribute towards the realisation of the overall mission of said Department, represented by cost governance and the main processes that the various components generate, ensuring constant monitoring and proactive management of the risks that could be related to the business and support processes and their possible impacts in terms of provisions and operating losses.

The Unit therefore has the duty to control the management of significant risks to which doValue's activities are exposed, with specific reference to operational risks, through the definition of the relative guidelines and the identification and monitoring of the above-mentioned risks, using methodological approaches, procedures and instruments that can guarantee the necessary disclosure to the company bodies for that reason.





# 5.1

# Financial risks

## CREDIT RISK

Credit Risk is defined as the risk for the creditor that a borrower will not discharge a financial obligation at maturity or subsequently, generating a financial loss. For the Company, the main assets exposed to such risk are trade receivables as well as non-performing loans held in our portfolio and deposits held with leading banks and financial institutions.
Trade receivables, which are at very short term and are settled with payment of the related invoice, are essentially attributable to servicing contracts under which the Company accrues receivables in respect of their counterparties, who may default due to insolvency, economic events, liquidity shortages, operational deficiencies or other reasons. Positions that are considered on objective grounds to be partly or wholly unenforceable are written down, taking account of any recoverable amounts and the associated date of collection. At December 31, 2019, trade counterparties were represented by banks with high credit standing and vehicle companies established pursuant to the provisions of Law 130/1999.
For a quantitative analysis, please see the notes on trade receivables.
With regard to individual non-performing positions, which regard a marginal number of positions acquired over time, the procedures and tools supporting the activity of the workout units always enable position managers to prepare accurate forecasts of the amounts and timing of expected recoveries on the individual relationships in accordance with the state of progress in the recovery management process. These analytical evaluations take account of all the elements objectively connected with the counterparty and are in any case conducted by the position managers in compliance with the principle of sound and prudent management.

## LIQUIDITY RISK

The Liquidity Risk is manifested as the inability to raise, an economically sustainable manner, the financial resources necessary for the Group's operations.
The two main factors that determine the Group's liquidity situation are, on the one hand, the resources generated or absorbed by operating and investment activities and, on the other, the expiry and renewal characteristics of the debt or liquidity of financial investments and market conditions.
The Company has adopted a series of policies and processes to optimise the management of financial resources, thereby reducing liquidity risk.
The Parent Company doValue identifies and monitors liquidity risk on a current and forward-looking basis. In particular, the prospective assessment takes account of probable developments in the cash flows connected with the Group's business.
One of the main instruments for mitigating liquidity risk is the holding of reserves of liquid assets and revolving credit lines. The liquidity buffer represents the amount of liquid assets held by the Company and readily usable under stress conditions and deemed appropriate in relation to the risk tolerance threshold specified.
Management believes that the funds and credit lines currently available, in addition to the liquidity that will be generated by operations and financing activities, will enable the Company to meet its requirements for investment, working capital management and repayment of debt as it falls due.

## MARKET RISK - INTEREST RATE RISK

The Company uses external financial resources in the form of debt and uses the cash available in the bank deposits. Changes in market interest rate levels influence the deposit expenses and remuneration of the investments. In order to neutralise the exposure to the risk of changes in interest rates, the Company signed interest rate swap contracts (IRS) exclusively for hedging purposes. The fair value of the derivative instruments at December 31, 2019 amounting to € 0.4 million, was directly recognised under the other components of the statement of comprehensive income. The interest rate subject to hedging is Euribor 6M and the details of the financial instruments being hedged are set out under Note 13 “Loans and Other Financing” while the details of the hedging instruments are set out under Note 14 “Other financial liabilities”.

## SECURITISATIONS

On September 30, 2016, the sale of the non-performing portfolio of doValue to the securitisation special purpose vehicle Romeo SPV S.r.l. (“Romeo”), established in accordance with Law 130/1999 was completed. Subsequently, during the second quarter of 2017, the unsecured portion of the portfolio was transferred to the vehicle Mercuzio Securitisation S.r.l. (“Mercuzio”) and at the same time the issue of ABSs by both the SPVs was completed with a single tranche of securities.
As originator, doValue has subscribed a nominal amount of notes equal to 5% of the total securities issued in order to comply with the provisions of the retention rule referred to in Regulation (EU) 575/2013 (the CRR).
In both operations, doValue plays the role of Servicer and Administrative Services Provider.





# 5.2

# Operational risks

Operational risk is the risk of incurring losses due to the inadequacy or the failure of procedures, human resources and internal systems, or to external events.
This includes, among other things, losses from fraud, human error, the interruption of operations, system unavailability, contractual breaches and natural disasters. Operational risks (including the IT component) includes legal risk, while strategic and reputational risks are not included.
There is a structure of controls, standards and rules in doValue aimed at achieving the scope of managing operational risk.
With reference to the organisational aspects, the Operational Risk Management Operating Unit was established in the Operations Department of the Company in order to contribute towards the realisation of the overall mission of said department, ensuring constant monitoring and proactive management of the risks that could be related to the business and support processes and their possible impacts in terms of provisions and operating losses.
The Unit therefore has the duty to control the management of significant risks to which the Company’s activities are exposed, with specific reference to operational risks, through the definition of the relative guidelines and the identification and monitoring of the above-mentioned risks, using methodological approaches, procedures and instruments that can guarantee the necessary disclosure to the company bodies for that reason, in line with the approach set out under the broader doValue Control System.
The governance structure for operational risks envisages not only the direct involvement of senior management but also an Operational Risks Committee, which is responsible for doValue, proposing measures to address the risks detected, examining operational risk reports, recommending control procedures and limits on operational risks and monitoring risk mitigation actions.

In order to manage operational risks, doValue has implemented a structured set of processes, functions and resources dedicated to:

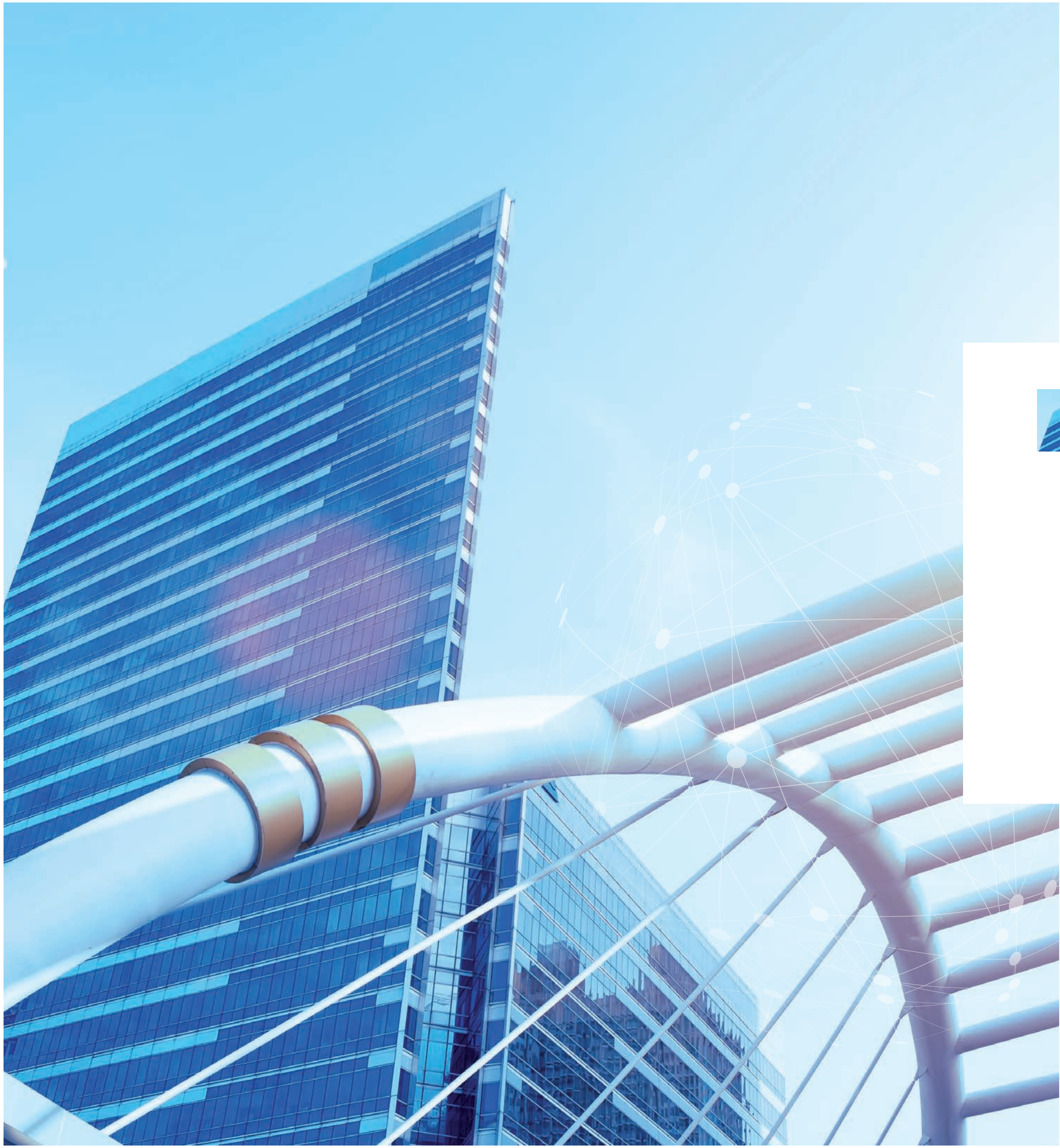
- the collection, registration and monitoring of operational risk reports from workout units and other company structures;
- the collection of internal loss data;
- the definition and implementation of operational risk indicators in the most important areas for company business activities.

With regard to the latter process, the indicators are a forward-looking component that promptly reflects improvements or deteriorations in the risk profile as a result of changes in operating segments, in human resources, technological and organisational resources as well as in the Internal Control System. In this regard, specific indicators have been created which are monitored on a monthly basis and compared with the previous month to justify any positive or negative changes in order to highlight any risks in corporate processes, as well as an action plan for indicators that do not fall within the specified range.
Finally, doValue, has set up a reporting system with different reporting dates and levels of summary, that ensures timely reporting on operational risks to the corporate bodies and to the managers of the organisational units involved.

# 6

# SEGMENT REPORTING

Please refer to the Consolidated Financial Statements of the doValue Group as at December 31, 2019 for the Segment Reporting, since the Group uses the Region as the analysis dimension, for these individual financial statements, the representation corresponds to what is reported in the consolidated financial statements for Italy.



# 7

# BUSINESS COMBINATIONS

For this Section, please refer to what is illustrated in the Consolidated Financial Statements of the doValue Group as at December 31, 2019.

# 8

# RELATED-PARTY TRANSACTIONS

# INTRODUCTION

The provisions of IAS 24 apply for the purposes of disclosures on related parties. That standard defines the concept of related party and identifies the relationship between related parties and the entity preparing the financial statements.

Pursuant to IAS 24, significant related parties for doValue include:

- the Parent Company;
- associates, joint ventures and their subsidiaries;
- key management personnel;
- close family members of key management personnel and companies controlled, including jointly, by key management personnel or their close family.

In compliance with Consob Resolution no. 17221 of March 12, 2010, doValue has adopted the Policy for the management of transactions with related parties and transactions conducted in situations of conflict of interest of the doValue Group", published on the corporate website of doValue (www.dovalue.it), which defines the principles and rules for managing the risk associated with situations of possible conflict of interest engendered by the proximity of certain parties to decision-making centres.
To manage transactions with related parties, doValue has established a Risks and Related Party Transactions Committee – composed of a minimum of 3 (three) and a maximum of 5 (five) members chosen from the members of the Board of Directors, non-executive, and with the majority fulfilling the independence requirements - charged with the task of issuing reasoned opinions to the Board of Directors regarding transactions with related parties in the cases governed

# INFORMATION ON REMUNERATION OF KEY MANAGEMENT PERSONNEL

Information on remuneration of key management personnel for the year 2019 is provided below. The definition of managers with key responsibilities, in accordance with IAS 24, includes those parties who have the direct and indirect power and responsibility for planning, management and control of the Company activities. This category includes the members of the Board of Directors, including the Chief Executive Officer, the Statutory Auditors and the other managers with key responsibilities, identified as "Key Personnel".

(€/000)

| | 12/31/2019 |
|---|---|
| Short term benefits | 4,109 |
| Post-employment benefits | 150 |
| Share-based payments | 7,094 |
| **TOTAL** | **11,353** |

# RELATED-PARTY TRANSACTIONS

All transactions with related parties carried out in 2019 were concluded in the interest of the Group and at market or standard conditions.

The following table shows the assets, liabilities and guarantees and commitments outstanding at December 31, 2019, with separate indication for the various types of related parties pursuant to IAS 24.





(€/000)

| Financial Transactions | Parent Company | Consolidated subsidiaries | Associates | Joint ventures | Key management personnel | Other related parties | Total |
|---|---|---|---|---|---|---|---|
| Property, plant and equipment | - | - | - | - | - | 1,571 | 1,571 |
| Non-current financial assets | - | 126,926 | | | | | 126,926 |
| Current financial assets | - | 35,539 | - | - | - | - | 35,539 |
| Trade receivables | - | 4,405 | - | - | - | 765 | 5,170 |
| Other current assets | - | 110 | | | | | 110 |
| **TOTAL ASSETS** | **-** | **166,980** | **-** | **-** | **-** | **2,336** | **169,316** |
| Trade payables | - | 2,836 | - | - | - | 48 | 2,884 |
| Provisions for risks and charges | - | - | - | - | - | 96 | 96 |
| Other current financial liabilities | - | - | - | - | - | 1,517 | 1,517 |
| Other current liabilities | - | 85 | - | - | - | - | 85 |
| **TOTAL LIABILITIES** | **-** | **2,921** | **-** | **-** | **-** | **1,661** | **4,582** |

(€/000)

| Costs/Revenues | Parent Company | Consolidated subsidiaries | Associates | Joint Ventures | Key management personnel | Other related parties | Total |
|---|---|---|---|---|---|---|---|
| Revenue from contracts with customers | - | - | - | - | - | 326 | 326 |
| Other revenue | - | 3,862 | - | - | - | 519 | 4,381 |
| Administrative expenses | - | 1,416 | - | - | - | - | 1,416 |
| Administrative expenses | - | (29,109) | - | - | - | (1,138) | (30,247) |
| Financial (Expense)/Income | - | 3,245 | - | - | - | (23) | 3,222 |
| Depreciation, amortisation and impairment | - | - | - | - | - | (786) | (786) |
| Provisions for risks and charges | - | - | - | - | - | (1) | (1) |
| Provisions for risks and charges | - | 6,900 | - | - | - | - | 6,900 |
| **TOTAL** | **-** | **(13,687)** | **-** | **-** | **-** | **(1,103)** | **(14,790)** |

With 25.05% of the shares, the ultimate parent company , as reference shareholder, is Avio S.à r.l., a company incorporated under Luxembourg, affiliated to the Fortress Group which in turn was acquired by Softbank Group Corporation in December 2017.

The reference shareholder does not exercise any management or coordination powers over doValue pursuant to Art. 2497 et seq. of the Civil Code.

The main relationships with **Subsidiaries** are related to:

- doSolutions: the company has entered into a framework agreement with doValue for the supply of information technology services, organizational support, back office and logistics, which determine administrative costs of € 27.5 million, as well as net revenues of seconded personnel for € 1,0 million.
- doData: costs for inspection services accrued for € 1.6 million, as well as net revenues of seconded personnel for € 0.4 million.
- Italfondiario: dividends of € 6.9 million were collected.

There are relationships with the aforementioned subsidiaries for the supply of services for corporate activities and for the control functions performed by doValue, on the basis of which revenues of € 3.4 million have accrued.
The trade receivables and payables shown in the table above essentially refer to the aforementioned service performance relationships, in addition to receivables due from doValue Hellas in the amount of € 1.7 million.

Compared to Altamira, there is an active loan disbursed by the Company, of a residual € 162.5 million at the end of the year and which led to the accrual of financial income for € 3.2 million.

The main relations with **other related parties** relate to:

- Torre SGR S.p.A.: the company offers the Group a rental service for certain properties for one of the main territorial offices in Rome. This contract, which expired in January 2019, was extended during the year, and reported

Related-party transactions

in accordance with IFRS 16; this case was allocated to 2019 in part under administrative costs (€1.1 million) and in part under amortisation/depreciation (€ 786 thousand) and borrowing costs (€ 23 thousand). The capital off-setting items are recognised under property plant and equipment (€ 1.6 million), under other financial liabilities (€ 1.5 million), trade payables (€ 49 thousand) and trade receivables (€23 thousand);

- FIG LLC: doValue carries out due diligence services on the company for a total of revenues of €494 thousand and for trade receivables of €541 thousand at the end of the period;
- SPV Ieffe: the Company carries out debt collection activities for total receivables of € 202 thousand and trade receivables of € 22 thousand;
- Reoco: doValue manages property assets for certain Reoco (real estate owned companies), with revenues from contracts with customers and other revenue during the year of € 149 thousand and trade receivables of € 129 thousand.

# 9

## ANNEXES

# Fees to the audit firm: information in accordance with article 149-DUODECIES of Consob issuers regulation

(€)

| Type of services (amounts in euros and excluding VAT and expenses) | Service provider | Fees of the year doValue S.p.A. |
|---|---|---|
| **Statutory audit** | EY S.p.A. | **176,000** |
| **Audit related services:** | | **24,000** |
| Attestation of tax forms | EY S.p.A. | 4,000 |
| Non-Financial Statement | EY S.p.A. | 20,000 |
| **Other services** | EY Network | **269,400** |
| **Total** | | **469,400** |

# Public funds in accordance with law 124/2017

Law no 124 of August 4, 2017 introduced into article 1 paragraphs 125 to 129 certain measures aimed at ensuring transparency in the public funds system, which forms part of European and national sources of law in the regulatory environment.

The Assonime 5 Business activities and competition circular should also be mentioned, published on February 22, 2019, containing certain guidelines and highlighting areas of greater uncertainty, calling for regulatory intervention by the authorities to guarantee the correct and uniform fulfilment of the obligations by companies, and the non-application of the sanctions contained in the regulation.

In view of the above, the main criteria adopted by doValue S.p.A. and its subsidiaries based in Italy in line with the Assonime circular referred to above are set out below.
The funding, grants and economic advantages of all types received from January, 1 to December 31, 2019 are considered. These benefits were recognized in the income statement following the verification of compliance with the disbursement conditions, therefore doValue expects not to be called upon to return any amount.
The information present in doValue is set out in table form below.

(€)

| Type of grant | Amount |
|---|---|
| Employment Fund | 51,763 |
| Contribution relief for work-life balance | 101,705 |
| **Total** | **153,468** |

# PROPOSED ALLOCATION OF NET PROFIT FOR THE YEAR

# Proposed allocation of net profit for the year

Dear Shareholders,

the draft financial statements for the year ended on 31 December 2019 were approved by the Board of Directors on 20 March 2020.

Prior to the Shareholders' Meeting you will have access to the opinion expressed by the independent auditing company and the Report of the Board of Statutory Auditors with the opinion on the proposal for the allocation of the profit for the year and distribution of dividend.

The individual financial statements as at 31 December 2019, closed with a profit of €38,506,880. The consolidated financial statements, also approved by the Board of Directors at the meeting held on 20 March, closed with a net profit of €41,379,379.

With reference to the allocation of net profit, notwithstanding the adequate capital position, it's not considered to proceed to the distribution of dividends and to allocate all net profit for the year to retained earnings, to preserve the Group's liquidity in the current operational conditions and macroeconomic scenario shadowed by considerable uncertainty linked to the effects of Coronavirus epidemic, whose impacts are currently difficult to predict with a sufficient degree of reliability.

Rome, April 22, 2020

The Board
of Directors





# CERTIFICATIONS AND REPORTS ON THE FINANCIAL STATEMENTS

# Annual Financial Statements Certification pursuant to art.81-ter of Consob Regulation No.11971/99, as amended

1. The undersigned

- Mr. Andrea Mangoni, in his capacity as Chief Executive Officer (CEO);
- Mrs. Elena Gottardo, in her capacity as the Financial Reporting Officer with preparing the financial reports of doValue S.pA., of also in compliance with Art.154-bis, (paragraphs 3 and 4) of Italian Legislative Decree No.58 of 24 February 1998, do hereby certify:
  - the adequacy in relation to the Legal Entity's features and
  - the actual application of the administrative and accounting procedures employed to draw up the 2019 Annual Financial Statements.

2. The adequacy of administrative and accounting procedures employed to draw up the 2019 Annual Financial Statements has been evaluated by applying a model developed by doValue SpA, in accordance with "Internal Control - Integrated Framework (CoSO)" and with the "Control Objective" for IT and Related Technologies (Cobit) ", which represent reference standards for the internal control system and for financial reporting, generally accepted internationally.

3. The undersigned also certify that:
   3.1. the 2019 Annual Financial Statements:
   a) were prepared in compliance with applicable international accounting standards recognised by the European Community pursuant to European Parliament and Council Regulation No.1606/2002 of 19 July 2002;
   b) correspond to the results of the accounting books and records;
   c) are suitable to provide a fair and correct representation of the economic and financial situation of the issuer;
   3.2. the Report on Operations includes a reliable analysis of the operating trend and results, as well as of the situation of the issuer, together with a description of the main risks and uncertainties they are exposed to.

Rome, March 20, 2020

**Andrea Mangoni**

Chief Executive Officer

**Elena Gottardo**

Financial Reporting Officer



Certifications and reports on the Financial Statements

# doValue S.p.A.

**Financial statements at December 31, 2019**

**Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated January 27, 2010, and article 10 of EU Regulation n. 537/2014**





EY S.p.A.
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## Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated January 27, 2010 and article 10 of EU Regulation n. 537/2014
(Translation from the original Italian text)

To the shareholders of
doValue S.p.A.

## Report on the Audit of Financial Statements

### Opinion

We have audited the financial statements of doValue S.p.A. (the "Company"), which comprise the balance sheet at December 31, 2019, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity and the cash flow statement for the year then ended and the notes to the financial statements.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at December 31, 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing article 9 of Legislative Decree n. 38, dated February 28, 2005 and article 43 of Legislative Decree n. 136, dated August 18, 2015.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.
We are independent of the Company in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We identified the following key audit matters:

| Key audit matter | Audit response |
|---|---|
| **Estimate of the accrued portion of revenues relating to servicing contracts and related contractual obligations** | |
| The Company operates as a servicing entity for banks and financial institutions for the management and recovery of loans, mainly non-performing. Revenues from these activities are recognized on an accrual basis, using management information and reporting systems and procedures and complex processes for the recognition of such activities which are carried out in accordance with the specific clauses set forth in the customers' contracts.<br>These types of revenues, presented in line item Revenues from contracts with customers of the income statement, are attributable to credit service management and to recovery services for approximately 52% of the total and to servicing for securitization transactions for for the residual portion. The aforementioned contracts also provide for detailed rights and obligations of the Company toward counterparties, which can generate potential liabilities deriving from any failure to fulfill the contractual obligations.<br>At the date of closing of the financial year, a portion of these revenues is determined by the Directors with a complex process to estimate the accrued servicing fees for the period, considering the articulated contractual arrangements, the dynamics of the recoveries actually made, as well as any contractual indemnities to be recognized in relation to particular events or specific circumstances. At the date of closing of the financial year, the portion of servicing revenue without an expressed acceptance of the counterparty amounts to 62% of total invoices to be issued and to 21% of "Total revenue" of the income statement.<br>For these reasons, the estimate of revenues from servicing contracts and the related contractual obligations were considered by us to be a key audit matter.<br>The information on the management and recovery fees and the methods adopted for their estimation is reported in sections "Accounting policies", "Balance sheet" and "Income statement" of the explanatory notes. | Our audit procedures in response to the key audit matter, included, inter alia:<br>• an understanding of the process to recognize revenues from servicing contracts with customers (i.e. commission income), contractual costs and related key controls;<br>• conducting compliance tests on the billing process;<br>• verification of the appropriateness of the methodology and reasonableness of the valuation assumptions used, as well as the performance of compliance procedures on key controls;<br>• carrying out validity procedures concerning the correct application of the estimation methodology and related assumptions in recognizing fixed and variable commission income;<br>• comparison of the estimates of the prior year with the actual data and the analysis of the deviations to support the reliability of the estimation process;<br>• analysis of the adequacy of the information provided in the notes to the financial statements. |





## Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing article 9 of Legislative Decree n. 38, dated February 28, 2005 and article 43 of Legislative Decree n. 136, dated August 18, 2015, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Company's ability to continue as a going concern and, when preparing the financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the financial statements on a going concern basis unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Board of statutory auditors ("*Collegio Sindacale*") is responsible, within the terms provided by the law, for overseeing the Company's financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;

- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- we have evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

### Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of doValue S.p.A., in the general meeting held on June 17, 2016, appointed us to perform the audit of the financial statements of each year from the year ending December 31, 2016 to December 31, 2024.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements included in this report is consistent with the content of the additional report to the Board of statutory auditors ("*Collegio Sindacale*") in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.





## Report on compliance with other legal and regulatory requirements

### Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated January 27, 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated February 24, 1998

The Directors of doValue S.p.A. are responsible for the preparation of the Directors' Report and of the Report on Corporate Governance and Ownership Structure at December 31, 2019, including their consistency with the related financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated February 24, 1998, with the financial statements of the Company at December 31, 2019 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Directors' Report and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the financial statements of the Company at December 31, 2019 and comply with the applicable laws and regulations.

With reference to the statement required by article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated January 27, 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

### Statement pursuant to article 4 of CONSOB Regulation implementing Legislative Decree n. 254, dated December 30, 2016

The Directors of doValue S.p.A. are responsible for the preparation of the non-financial information pursuant to Legislative Decree n. 254, dated December 30, 2016. We have verified that non-financial information have been approved by Directors.

Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated December 30, 2016, such non-financial information is subject to a separate compliance report signed by us.

Verona, April 14, 2020

EY S.p.A.
Signed by: Marco Bozzola, auditor

*This report has been translated into the English language solely for the convenience of international readers.*

# Report by the Board of Statutory Auditors to the Shareholders' Meeting of doValue S.p.A. in accordance with Article 153 of Italian Legislative Decree 58/1998 and Article 2429, paragraph 2 of the Italian Civil Code

Dear Shareholders,

In this report, drafted in accordance with Art. 153 of Italian Legislative Decree 58/1998 and Article 2429, paragraph 2 of the Italian Civil Code, the Board of Statutory Auditors illustrates the supervisory activities it has performed during the 2019 financial year and their results, in accordance with the requirements of CONSOB Communication no. DEM/1025564 of 6 April 2001 as amended and supplemented.

The Shareholders' Meeting held on 19 April 2018 appointed the Board of Statutory Auditors in office pursuant to the legal, regulatory and statutory provisions in force, also considering the provisions on the subject of balance between genders, and it will remain in office until the date of the Shareholders' Meeting to be called to approve the financial statements of the Company as at 31 December 2020.

The Board of Directors assigned the functions of Supervisory Body pursuant to Italian Legislative Decree 231/2001 to the Board of Statutory Auditors on 19 April 2018 in keeping with the *governance* model adopted by the Company and bearing in mind the legislative and regulatory provisions in force.

During the financial year ended on 31 December 2019, the Board of Statutory Auditors carried out its institutional duties in respect of the Italian Civil Code, Legislative Decrees 385/1993 (TUB - "Consolidated Banking Law"), 58/1998 (TUF - "Consolidated Finance Law") and 39/2010, as amended and supplemented, and the provisions issued by the Authorities exercising supervisory and control activity. The Board of Statutory Auditors also complied with the standards of conduct of the Board of Statutory Auditors recommended by the Italian Board of Chartered Accountants as well as the indications contained in the Code of Conduct of the Corporate Governance Committee for listed companies.

During the financial year, the Board of Statutory Auditors:

- held 24 board meetings at which all members in office usually participated;
- participated, usually collegially, at 17 meetings held by the Board of Directors;
- participated, with the presence of the Chairman of the Board of Statutory Auditors and/or other auditors, at 11 meetings held by the Risks and Transactions with Related Parties Committee (formerly Risks and Transactions with Affiliated Persons Committee until 7 November 2019);
- participated, with the presence of the Chairman of the Board of Statutory Auditors and/or other auditors, at 7 meetings held by the Remuneration Committee;
- participated, with the presence of the Chairman of the Board of Statutory Auditors and/or other auditors, at 5 meetings held by the Appointments Committee;
- participated at two Shareholders' Meetings held on 5 March 2019 and 17 April 2019;







- maintained a constant information channel and held regular meetings with the Audit Firm, for the purpose of promptly exchanging relevant information and data for carrying out their respective duties;
- maintained a constant information channel and held regular meetings with the Company Control Departments;
- participated in the periodic exchange of information with the Boards of Statutory Auditors of the Subsidiary Companies established under Italian law, facilitated by the presence of two auditors of the Parent Company in the Control Bodies of the aforesaid Companies.

During the Board of Directors' meetings, the Board of Statutory Auditors was informed by the Directors on the activity performed by the Company and by the Group headed by the same, as well as on the most significant economic, financial and capital operations performed by the Company and by the Group, also in conformity with Article 150, paragraph 1 of the Consolidated Finance Law. The Board of Statutory Auditors also acknowledges that the Directors communicated in advance, in accordance with Article 2391 of the Italian Civil Code and Article 136 of the Consolidated Banking Law where applicable, operations believed to be in conflict of interests, which were resolved upon in compliance with specific regulations.

Information instrumental to the exercise of its institutional duties was also acquired through meetings with the CEO of the Company and with the Heads of Department, as well as by examining information flows originating from the company structures, the Audit Firm and the Boards of Statutory Auditors of the Group companies.

The constant liaison with the Company Control Departments in the different structure that they assumed during the year, as better specified *infra*, guaranteed an important and continuous flow of information which, supplemented by direct observations and specific supervisory activity, allowed the Board of Statutory Auditors to express adequate assessments on the various issues subject to the supervision and controls under its remit.

All that granted, we provide below the information, inter alia, cited in CONSOB Communication no. 1025664 dated 6 April 2001 as amended and supplemented.

**1. Considerations on the most significant economic, financial and capital operations performed by the Company and on their conformity with the Law and the Deed of Incorporation**

Based upon the information received, also through participating at meetings of the Board of Directors, the Board of Statutory Auditors has monitored the most significant economic, financial and capital operations resolved upon and implemented by the Company and by the Group companies in the 2019 financial year. At the outcome of the analyses conducted, the Board of Statutory Auditors can reasonably state that the operations resolved upon and implemented are compliant with the Law and the Articles of Association and with the principles of correct administration, they are not manifestly imprudent, risky, in potential conflict of interests, in contrast with the resolutions made by the Shareholders' Meeting or likely to compromise the integrity of the company assets and assisted, where necessary, by structured analysis and assessment processes also with the support of third party experts.

With particular reference to significant events occurring in the period, the Report on Operations highlights the following:

<u>New corporate structure and name of the Group</u>

When the complex company reorganisation process started in 2018 was successfully concluded, in June 2019 the European Central Bank authorised the application doValue had submitted to revoke the banking licence and the resulting deletion of the banking Group, following which Italfondiario was the only supervised subject pursuant to Article 106 of the Consolidated Law on Banking, and doValue took on the form of a Servicing company regulated by Article 115 of the Consolidated Public Security Act (TULPS).

Starting from 1 January 2019, the reorganisation also involved the partial demerger by Italfondiario to doValue (formerly doBank S.p.A.) of its “Servicing” operations, as well as the transfer from doValue (formerly doBank S.p.A.) to Italfondiario of its “master servicing” operations.

Lastly, the Company changed its company name and took the name of doValue S.p.A. (formerly doBank S.p.A.) due to finalisation of the "debanking" and with the approval of the Shareholders' Meeting.

Acquisition of Altamira Asset Management

On 27 June 2019 the doValue Board of Directors announced that it had completed the acquisition of an 85% stake in the capital of Altamira Asset Management (“Altamira”). It operates in Spain and in several European countries in the NPL and related real estate services servicing market.

The operation was financed with available cash from doValue and the use of a 5-year bank credit line amounting to €415 million. The structure of the transaction and its main terms are unchanged from those announced to the market on 31 December 2018, the date of the acquisition was announced.

Agreement for the acquisition of 80% of Eurobank Financial Planning Services ("FPS")

On 19 December 2019, doValue signed an agreement with Eurobank Ergasias SA for the acquisition of 80% of Eurobank FPS Loans and Credits Claim Management Company ("FPS"), a servicing company operating in the Greek market, whose closing is scheduled by the end of May 2020, subject to meeting relevant regulatory approvals in line with market practices.

The operation also includes the exclusive management of future Early Arrears and Non-Performing Exposures (NPE) cash flows originating from Eurobank in Greece for a 10-year period, in this way consolidating doValue's role as strategic long-term partner of a systemic bank.

Start-up of the management of new loan portfolios and real estate assets

During 2019, doValue onboarded new loan portfolios and real estate assets for over €13 billion, whose management agreements were signed starting from the second half of 2018. The amount includes approximately €5 billion of new mandates coming from cash flow contracts with the leading customer banks of the Group, Unicredit and Santander in particular.

More in detail, management of portfolios coming from agreements with the banking Group Iccrea, Banca Carige, UBI banca, with the four Greek systemic banks and with primary international investors commenced. They granted doValue new loan portfolio and real estate asset management mandates especially in Italy, Spain and Portugal.

Credit servicing agreement with Alpha Bank in Cyprus for about €4.3 billion plus future cash flows





Certifications and reports on the Financial Statements

On 14 October 2019, doValue reported that it had reached an agreement with Alpha Bank to manage, on an exclusive basis, a Cypriot portfolio of non-performing exposures ("NPEs") and Real Estate assets ("REOs") of the total gross amount of roughly €4.3 billion, plus future cash flows of NPEs and REOs produced by Alpha in Cyprus. The agreement includes:

- Acquisition of Alpha's local NPE and REO servicing platform operations by the doValue Group;
- The signing of a long-term servicing contract ("Service Level Agreement") for the management by the doValue Group, on an exclusive basis, of a portfolio of REOs and NPEs secured by collateral of a total gross amount of about €4.3 billion, consisting of a mixture of corporate and retail loans originating from Alpha in Cyprus;
- The management by the doValue Group, on an exclusive basis, of the entire future generation of NPE cash flows of Alpha Bank in Cyprus.

Italfondiario authorised to provide payment services pursuant to Article 114-novies, paragraph 4 of Italian Legislative Decree 385/1993 (TUB)

On 29 October 2019, the Bank of Italy stated it was in favour of the request put forward by Italfondiario in June 2019, and authorised it to extend its operations also to granting loans to the public and to providing payment services through the establishment of Dedicated Assets.

No other significant economic, financial and capital operations performed by the Company and by the Group during the 2019 financial year are reported.

**2. Indication of any existence of atypical and/or unusual transactions, including intergroup or with related parties**

The Board of Statutory Auditors has not identified or received information from the Audit Firm, from the Head of Internal Audit, from the Controls Department Manager, from top management of the Company or from the Boards of Statutory Auditors of the Subsidiary Companies established under Italian law of atypical and/or unusual transactions, even intergroup or with related parties.

**3. Intergroup or related party transactions**

The Board of Statutory Auditors reports that the Board of Directors, by resolution dated 17 October 2018, had approved an updated version of the Group Policy for managing transactions with related parties of doBank S.p.A., with connected persons of the doBank Banking Group and transactions in conflict of interests, in conformity with the contents of CONSOB Regulation no. 17221 dated 12 March 2010, the Circular of the Bank of Italy no. 263 dated 27 December 2006, and Article 136 of the Consolidated Banking Law. Afterwards, in consideration of the banking license surrendered in June 2019 and, as a result, of the impossibility to use the supervisory assets in order to identify the threshold of greater significance of the transactions with related parties, when updating the policy, with starting date being when the half year report as at 30 June 2019 was published, the Company applied the significance index provided for by the Consob Regulation for listed non-banking issuers, which parametrizes the value with respect to the equity criterion or, if greater, to the capitalisation.

The Board of Directors approved a new version of the Policy on 7 November 2019 upon completion of its revision, made necessary by the different regulatory context, by the associated changes in the organisational context and by the *rebranding*. Among other things, this update involved:

- the update of the regulatory framework of reference as a result of debanking - removing application of the banking regulations referring to "management of transactions with related parties" (Circ. 263);
- the update of the Related Parties Scope;
- the update of the "Greater Significance" thresholds;
- the update of the threshold for determining Transactions of a Negligible Amount: specifically, also in light of the new corporate structure of the Group and of the integration of the foreign Subsidiaries, the threshold value was raised to €300,000;
- the update of the resolution procedure to apply to the Subsidiaries: the jurisdiction of the Parent Company Committee was established only where the Board of Statutory Auditors, or a special local committee, is not present, pursuant to Article 4, paragraph 3 of the Consob Regulation, if established at the Subsidiary;
- the revision of the process and relevant roles and responsibilities of the players involved following the debanking.

The Board of Statutory Auditors points out that the Directors provided ordinary and less significant transactions with related parties in the Report on Operations and in the notes, indicating their type and extent. The Directors have also highlighted that all transactions with related parties completed during 2019 were concluded in the Group's interest and at market or standard conditions. The indications provided by the Directors are adequate, taking account of the dimensions of the cited transactions.

By attending at meetings of the Board of Directors, the Board of Statutory Auditors acknowledges that, in conformity with the Group policy, on a quarterly basis the Chief Executive Officer provided periodic information on the transactions completed with related parties by the Company and by Group companies. From the procedural correctly viewpoint, the Directors having an interest (also potential or indirect) in the transactions informed the Board of Directors of the existence and type of such interest.

For its part, the Board of Statutory Auditors has not identified violations of the provisions of Law and the articles of association or transactions implemented by the Directors which are manifestly imprudent or risky, in contrast with the resolutions made by the Shareholders' Meeting or in any case likely to compromise the integrity of the company assets.

As far as the Board of Statutory Auditors knows, said transactions were finalised in the interest of the Company and do not lead to comments concerning their consistency in so far as they fall within the ordinary transactions of the Company.

The Board of Statutory Auditors also certifies that, where necessary, the transactions pursuant to Article 136 TUB were unanimously approved by the Board of Directors and with the favourable opinion of all members of the Board of Statutory Auditors, in observance of the specific regulatory requirements.

**4. Comments and proposals on findings and on recalls on disclosure contained in the Report of the Audit Firm**

The Audit Firm EY S.p.A. (“E&Y”) has issued on today's date the following Reports:

- the audit reports pursuant to Article 14 of Italian Legislative Decree 39/2010 and Article 10 of EU Regulation no. 537/2014, which certify that the Financial Statements of doValue and the Consolidated Financial Statements of the doValue Group comply with the International Financial

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Reporting Standards (IFRS) and with the provisions issued to implement Article 9 of Italian Legislative Decree 38/2005 and Article 43 of Italian Legislative Decree 136/2015, are prepared clearly and truthfully and correctly represent the equity and financial situation, the economic result and the cash flows of the Company and of the Group;
- the additional report, in accordance with Article 11 of Regulation EU no. 537/2014, issued to the Board of Statutory Auditors in the capacity of Internal Control and Accounts Audit Committee, which illustrates the results of the statutory accounts audit carried out and includes the declaration on independence indicated in Article 6, paragraph 2 letter a) of the cited Regulation.

The Audit Firm has also certified that the Report on Operations and the information of the Corporate Governance and Ownership Report indicated in Art. 123-bis, paragraph 4 of the Consolidated Finance Law, are coherent with the Financial Statements of doValue and the Consolidated Financial Statements of the doValue Group, and are drafted in conformity with the Law.

With reference to the Report on Operations, EY has confirmed, as regards the presence of any significant errors, that it has nothing to declare.

The auditing reports, which do not highlight any recalls on disclosure or findings, indicate the “key aspects” emerging during the accounts auditing activity pursuant to the International Audit Principle (ISA Italia) 701, already reported to the Board of Statutory Auditors during the periodic meetings and represented by the estimation of accruing servicing revenues relating to the servicing contracts and associated contractual obligations.

Referring to the opinion on the consolidated annual report, EY also mentioned, among the “key audit matters”, the accounting treatment of the business combination of Altamira Asset Management S.A., considering its relevance on the overall consolidated annual report and the subjectivity of the assumptions in determining the PPA.

During the meetings and contacts held with the Audit Firm no censurable facts for the Directors emerged.

In accordance with the provisions of Italian Legislative Decree 254/2016 implementing Directive 2014/95/EU, on 20 March 2020, the Company's Board of Directors approved the Consolidated Declaration of Non-Financial Nature relating to the 2019 financial year. The Audit Firm EY S.p.A. issued on today's date its report identifying that no elements have been reported which infer that the aforementioned Declaration was not prepared in all its material aspects, in compliant with articles 3 and 4 of the Decree and GRI Standards, referring to the GRI Standards selections. The Board of Statutory Auditors oversaw the process of preparing the Declaration, in line with existing regulatory provisions.

**5. Indication of any submission of reports pursuant to Art. 2408 of the Italian Civil Code, any initiatives undertaken and the respective outcomes**

During 2019 and until the date of this Report, the Board of Statutory Auditors has not received any reports pursuant to Art. 2408 of the Italian Civil Code.

**6. Indication of any submission of petitions, any initiatives undertaken and the respective outcomes**

Complaints to be reported to the Shareholders' Meeting were not received during 2019 or up until the date of this Report.

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**7. Indication of any granting of further assignments to the Audit Firm and to entities linked to the company instructed to perform the audit and respective costs**

The Board of Statutory Auditors notes that, attached to the Financial Statements and the Consolidated Financial Statements at 31 December 2019, the Directors provided analytical information on the remuneration attributed to the Audit Firm and the entities belonging to the network of the Audit Firm, as reported in the table below:

| Type of services (amounts in euros and excluding VAT and expenses) | Service provider | Fees of the year doValue S.p.A. | Service provider | Fees of the year Subsidiaries |
|---|---|---|---|---|
| **Statutory audit** | EY S.p.A. | **176,000** | BDO, EY Network (*) | **187,125** |
| **Audit related services:** | | **24,000** | | **42,510** |
| Attestation of tax forms | EY S.p.A. | 4,000 | EY Network | 42,510 |
| Non-Financial Statement | EY S.p.A. | 20,000 | | - |
| **Other services** | EY Network | **269,400** | BDO Network | **299,129** |
| **Total** | | **469,400** | | **528,764** |

(*) BDO for € 29,500

In light of the amendments introduced by Directive 2014/56/EU, implemented in Italy with Italian Legislative Decree 135/2016 that amended Italian Legislative Decree 39/2010, and by EU Regulation no. 537/2014 containing a number of statutory audit measures and some provisions regarding the Internal Control Committee and the audit in Entities of Public Interest (EPI), the Company, urged by the Board, started to draft a new Group procedures on the subject of rules to follow in managing contractual relations with the audit firm and its network, and in appointing audit and non-audit tasks ("NAS"). With particular regard to the latter, the new procedure approved by the Board of Directors during its meeting held 31 January 2020 regulates the authorisation process, which requires the involvement of the CFO, the Manager in charge of preparing the corporate accounting documents and the Internal Control and Accounts Audit Committee for the assessments as far as each is concerned.

During 2019, in compliance with the referred to statutory audit provisions, the Board of Statutory Auditors preliminarily approved - subject to its verifications of potential risks for independence and protection measures adopted - the tasks other than the statutory audit granted to EY and to the companies belonging to its network.

In accordance with Art. 19 of Italian Legislative Decree 39/2010, in 2019 the Board of Statutory Auditors verified and monitored the independence of the Audit Firm E&Y. In that regard, the Board of Statutory Auditors notes that no critical aspect emerged and confirms that it received, as illustrated above, the declaration of confirmation of its independence from the doBank Group.

**8. Indication of the existence of opinions issued in accordance with the Law during the financial year**

During the 2019 financial year, the Board of Statutory Auditors has issued its opinion - where mandatory - in compliance with provisions of Law, the Articles of Association and the Supervisory Regulations.

The opinions expressed and the comments made in compliance with Supervisory provisions or requests include:







- favourable opinion pursuant to Article 2386 of the Italian Civil Code regarding the co-optation of the director Marella Idi Maria Villa as replacement of Paola Bruno during the Board of Directors meeting held on 25 January 2019;
- comments on the planning and reporting of the functions in charge in accordance with CONSOB Resolution 17297 dated 28 April 2010;
- comments on the planning and reporting of the activities of the Manager in charge of preparing the company's financial reports;
- favourable opinion on the appointment of the Manager in charge of preparing the corporate accounting documents, confirming the previous holder of the assignment in accordance with Art. 154-bis of the Consolidated Finance Law;
- favourable opinion to appoint Corporate Control Functions.

**9. Comments on respect of the principles of correct administration**

The Board of Statutory Auditors has overseen respect of the principles of correct administration by attending at meetings of the Board of Directors and board Committees, meetings with the Heads of the Control Departments, the Chief Executive Officer, as well as the other supervisory activities cited above.

From the supervisory activity and the information obtained, the Board of Statutory Auditors can reasonably state that the activity of the aforementioned Committees and Bodies was based upon respect of principles of correct administration, as they are aware of the risks and of the effects of the transactions carried out. As specifically regards the risks, please refer to the *disclosure* provided by the Directors in the Report on Operations and in the Explanatory Notes to the Financial Statements, under the section Information on risks and risk management policies.

As regards the decision-making processes of the Board of Directors, the Board of Statutory Auditors has overseen the conformity of the same with the Law and the Articles of Association and has verified that the management decisions were compliant with applicable regulations, adopted in the Company's interest and adequately supported by information, analysis and verification processes, also obtaining, where necessary, advisory activity of committees and external professionals.

**10. Comments on the adequacy of the organisational structure**

As already stated in the paragraph on the most significant economic, financial and capital operations, in 2019 doValue completed a major corporate reorganisation process which saw the Company take the form of a company regulated by Article 115 T.U.L.P.S., with the consequent cessation of the banking group. In this context, the Company continued with the Group's internationalisation process, represented by the finalisation in June 2019 of the acquisition of Altamira Asset Management, the acquisition in November 2019 of 96% of doValue Cyprus Limited, a vehicle set up after doValue signed the agreement with Alpha Bank, and lastly, by the reaching of an agreement with Eurobank Ergasias SA ("Eurobank") in December 2019 to acquire 80% of the capital of FPS.

That being said, in line with the development strategies undertaken and confirmed when updating the 2019-2022 Business Plan and with the Group's competitive positioning, in the second half of 2019 doValue started up a project to fully reorganise the functions and responsibilities of the entire Group, aimed at reflecting the new context and, in particular, the actual integration of the Spanish servicer Altamira. The evolution of the Group's organisation model, which will be completed in financial year 2020, in the first instance involved the internal controls system that during the first half of 2019 was affected by a revision activity aimed at implementing the impacts of the reorganisation project of the doValue Group and of the different regulatory context of reference.

In this scenario, the structure currently adopted by doValue is distinguished by the centralisation of several functions at the Parent Company: *corporate* (human resources management; organisation and organisational development; occupational safety; general services and logistics; purchasing; administration, finance and control, including: treasury, accounting, financial statements, reports, etc.; communications), while the Italian subsidiaries focus on their *core businesses*, without prejudice to the responsibility of the respective company bodies for the governance and supervision of the outsourced activities. As regards the international subsidiaries, the centralisation of some functions presently concerns only doValue Hellas, while a new organisation model that, as previously mentioned, will also include Altamira and its subsidiaries is being defined.

Following the company aggregation operations cited above, the Board of Directors approved the update of the intercompany Framework Agreements regulating the services adapted to the new Group situation during its meeting held on 31 January 2020.

In that variable context, the Board of Statutory Auditors has carefully monitored - and will continue to monitor - the evolution of the organisational structure by holding regular meetings with the top management of the Company, the heads of the main company departments and the heads of the control functions.

The Board of Statutory Auditors took note of the positive opinion on the adequacy of the organisational structure of the Company and Group provided by the Control and Risks Committee on 19 March 2020 and by the Board of Directors on 20 March 2020.

Based on the supervisory activity carried out, the Board of Statutory Auditors finds that there are no particularly important critical issues to be reported and/or significant findings to be formulated concerning the organisational structure of the Company, and confirms that it will continue to carefully monitor the continuation and completion of the broad reorganisation project of the Group including Altamira and its subsidiaries. No particular deficiencies or situations to be reported here have been ascertained in relation to the actual functioning of the Bodies, company functions, systems and procedures. The Board of Statutory Auditors acknowledges the constant ongoing action to consolidate the company's internal regulatory corpus, rendered necessary in order to adjust the structure and organisation to the new evolving scenario and the new regulatory provisions of reference.

The Board of Statutory Auditors has verified the correct application of the criteria and assessment procedures adopted by the Board of Directors to assess the independence of its members. The Board of Statutory Auditors has also verified the existence of the independence requirements in conformity with the provisions laid down by the combined rules of Articles 147-ter paragraph 4 and 148 paragraph 3 of the Consolidated Finance Law and in accordance with the Corporate Governance Code.

The Board of Statutory Auditors acknowledges having conducted the self-assessment process for the 2019 financial year, at the end of which it produced the "Report on the Outcome of the Board of Statutory Auditors' Self-Assessment", which highlighted the following:

- The functioning of the Audit Body is, essentially, correct and effective; its composition, in qualitative terms, is adequate to the role that this Body is asked to play; the Auditors, despite having additional professional roles to those involved in the assignment covered at doValue, guarantee their constant availability, in terms of both time and physical presence, to fulfil the challenging activities of the Company and the Group.

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- The Board of Statutory Auditors, in demonstration of its full awareness of the role covered and the related responsibilities, is strongly engaged in performing the activities and functions assigned to it, also through the active participation of the individual Members, strengthening at the same time the relationships of collaboration and trust between the individual Members and, more generally, the interaction with the administration bodies.

By participating at meetings of the Board of Directors and the board Committees, the Board of Statutory Auditors acknowledges that, at the outcome of the annual self-assessment process conducted, the Board of Directors has positively assessed its quali-quantitative composition and functionalities and those of the board Committees. The areas for improvement identified upon completion of the aforesaid process particularly pertain to the update of the Succession Plan of the Company with reference to the Key Resources, which will be broached in 2020, the planning of specific *induction* initiatives for the Directors, improved time management of the board meetings, and in-depth analyses in discussing the management of corporate risks in order to make it easier for also the Directors other than the members of the Risks Committee to get a clearly and thorough representation of the problems examined.

**11. Comments on the adequacy of the internal control system, particularly on the activity performed by those in charge of the internal control, highlighting any corrective actions undertaken and/or those still to be taken**

As indicated in the Corporate Governance and Ownership Report, the Internal Controls System of the doValue Group is based upon control bodies and functions, information flows and methods of involvement between the entities involved and Group governance mechanisms.

The aforementioned corporate changes introduced during 2019 also led to an internal reorganisation of the entire Group controls system, as mentioned in the foregoing paragraph, which included these major changes:

- redefinition of the Group management, coordination and control model and of the role played in said model by the Parent Company, by surmounting the approach mainly based on the requirements of the Bank of Italy Supervisory provisions and its application within the terms set by the Italian Civil Code for economic groups;
- introduction of the newly-formed "Internal Control Department" (to which the Internal Audit and Anti-Money Laundering Functions report) in the internal control system area, whose task is to ensure coordination of the risks governance at unit level and to guarantee, on a continuous basis, a summarised assessment of its adequacy;
- revision of the mission of the Internal Audit Function of the doValue Group, distinguished by the centralisation at this Function of the internal audit activities over the entire scope of the Group starting from completion of the de-banking process and solely referring to the Parent Company and to the non-supervised subsidiaries, and, at the same time, introduction within its scope of periodic audit campaigns to ensure compliance in the regulatory areas significant for these legal entities;
- still in the area of a centralised governance model of the regulatory framework aimed at preventing money laundering, in line with the provisions of EU Directive IV on the subject, placing the scope of operations of the doValue Anti-Money Laundering Function at the Parent Company and the non-supervised Subsidiaries, and establishment of independent Anti-Money Laundering Functions within the area of the organisational structures of the subsidiaries Italfondiario and doValue Hellas.

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- revision of the scope of the Corporate Control Functions following non-compliance with the obligations pursuant to Bank of Italy Circular no. 285/2013. Therefore, the Corporate Control Functions are currently made up of the Internal Audit, Anti-Money Laundering and Manager in charge Functions located at the Parent Company, the Risk Management, Compliance and AML Function of Italfondiario (in compliance with the provisions of Bank of Italy Circular no. 288/2015), the Anti-Money Laundering Function of doValue Hellas and the AML Function at Altamira;
- revision of the definition and scope of the other Corporate Functions involved in managing the internal control system, monitoring specific regulatory/risk areas, with placing within this scope the Parent Company Operational Risk Management and Compliance & DPO OUs;
- revision and update of the flows of information regarding the internal control system in order to make the model consistent with the organisational structure of the Parent Company, and those going to the Supervisory Authority in order to reflect the de-banking effects.

Without counting the organisational changes described above, the Internal Control System continues to be set up as follows:

- the primary responsibility for the completeness, adequacy, functionality and reliability lies with the governance bodies, and in particular with the Board of Directors, the CEO who also plays the role of Director tasked with supervising the functionalities of the internal control and risk management system, in compliance with the Corporate Governance Code, and with the Board of Statutory Auditors;
- the third level controls, entrusted to the Internal Audit Function, are aimed at assessing periodically the completeness, functionality, adequacy and reliability in terms of efficiency and effectiveness of the Internal Controls System as to the nature and intensity of the risks of company requirements, identifying, in addition, any violations of the organisational measures adopted by the Group;
- level two controls aim to ensure the correct implementation of the risk management process, to verify observance of the limits assigned to the various operating functions, to control the consistency of the operations of the individual production areas with the risk-return objectives assigned as well as guarantee the compliance of company operations with the rules, including those of self-regulation.
- the first level controls are aimed at guaranteeing the correct conduct of the operations and are the responsibility of the company functions in charge of the business/operating activities which are asked, as part of daily operations, to identify, measure, monitor and attenuate the risks deriving from ordinary business activity in conformity with the applicable risk management processes and internal procedures.

The adoption of an internal control and risk management system is also consistent with the provisions of the Borsa Italiana Corporate Governance Code, which the Parent Company doValue decided to adopt, in the awareness that one of the crucial elements of the governance of a listed company is precisely its internal control system.

On 7 November 2019 the Parent Company's Board of Directors approved the new version of the Regulation on the Integrated Internal Controls System of the Group, which illustrates the organisation model of internal controls that characterises the SCI, aimed at controlling constantly the main risks connected with the Group's activities. In the course of implementing an integrated architecture of the internal control system that reflects the new connotation of international Group, the above-mentioned Regulation is currently applied to all subsidiaries, except for Altamira and its subsidiaries. With specific reference to the only supervised subsidiary, Italfondiario, the architecture

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of the internal control system defined in compliance with the requirements of Bank of Italy Circular 288/2015 is regulated by the Italfondiario internal control system Regulation, approved by the Board of Directors of the same Subsidiary. The latter has internal control monitoring in place, with the only exception being the internal audit function that, consistent with the Group management, coordination and control model, is centralised at the Parent Company doValue and is regulated by specific outsourcing agreements, consistent with the regulatory provisions on the subject.

On 7 November 2019, the Board of Directors also approved the updated version of the Integrated Regulatory System (IRS) Policy, whose function is to regulate and organise the Group's regulatory corpus. It also represents a *framework* for systematizing the regulatory instrument issue, management, implementation, approval and use procedures.

Based on the information acquired and examination of the 2020 Activity Plans approved by the Board of Directors during its meeting held 20 March 2020, the Board of Statutory Auditors approved extending the activity plan of the corporate control functions into 2020 in terms of scope. The plan is aimed at comprising also the control measures in place at Altamira and its subsidiaries according to coverage priority criteria and integration approaches. The Board of Statutory Auditors will monitor actual execution of the integration plan.

In the period of reference, the Board of Statutory Auditors has overseen the system of internal controls by way of regular meetings with the aforementioned Control Functions and by analysing the information flows originating from the same and it has taken steps to request further investigations or to stimulate interventions, particularly with reference to the issue of absorbing the *findings* identified by the Control Functions. In that regard, the Board of Statutory Auditors acknowledges that in 2019 the Company has continued in its activity of strengthening the controls, which has facilitated the achievement of more effective results than the 2018 financial year. Specifically, the *commitment* that management showed in defining and implementing sustainable remedial actions highlighted a significant mitigation of risks underlying the governance and support processes, and a gradual decrease in re-planned findings and average resolution time.

On 12 February 2018 the doBank Board of Directors approved the new Organisation and Management Model pursuant to Italian Legislative Decree 231/2001, updated to guarantee alignment to the Group's changing corporate, operational and organisational structure, as well as to the regulatory context. The Supervisory Body functions, as indicated above, are attributed to the Board of Statutory Auditors which oversees the effective implementation of the Organisation Model with the support of the Compliance and Internal Audit functions and reports to the Board of Directors; its duration in office coincides with that of the Board of Directors.

During the supervisory activity carried out in 2019, as explained in the annual report submitted to the Board of Directors at its meeting held 20 March 2020, the Supervisory Body reported no significant gaps or significant events such as to be able to jeopardise the effectiveness of the organisation Model, although it pointed out the need to update it in consideration of the new regulatory context of reference and the new corporate, operational and organisational structure. To this regard, in December 2019 the Company launched a project to update the Company's 231 Model (and that of the Italian subsidiaries Italfondiario, doSolutions and doData) and to revise the Group's Code of Ethics, as well as to analyse the potential risk profiles attributed to the Parent Company doValue for liability for significant offences pursuant to Italian Legislative Decree 231/2001 that can potentially be committed by the foreign legal entities, Altamira and doValue Hellas. That being said, during 2020 the Supervisory Body will supervise the Group's 231 framework updating activity and will monitor the existence of additional changes in the regulatory context and

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in the structure of the Company and Group that might make an impact in terms of effectiveness and adequacy of the Model, and will report to management on any needs to further adapt them.

The Board of Statutory Auditors has examined the Report for the year 2019 of the Head of the Internal Audit Function which, based upon the assessment of the results of the auditing assignments and also taking account of the evolving context which has further affected the Group during 2019, assessed overall the internal controls system as adequate, albeit in the presence of areas for improvement in both the business processes and the support processes that confirm the need to continue down the path of organisational, procedural and technological consolidation taken.

In agreeing the assessment of overall adequacy expressed by the Head of Internal Audit, the Board of Statutory Auditors, given the Group's context of strategic and organisational evolution, hopes for the process of improving the internal control system to continue, with a focus on the functioning of the main business processes and on the integration of the information systems, so as to minimise the exposure to operating risks and to guarantee the complete adequacy and efficiency of all company processes.

The Board of Statutory Auditors also took note of the continuation of the control monitoring reinforcement process in the privacy area in 2019, highlighted by the appointment of the Privacy Representatives of the Italian Subsidiaries and of the Local DPOs in the foreign Subsidiaries and by the definition of the respective roles and responsibilities and mutual relations, as on the other hand is represented in the Parent Company DPO Manager Regulation approved on 18 December 2019 by the doValue Board of Directors. On the basis of the information collected, the planned Privacy Model updating activities for 2020 will take into account organisational and corporate changes that took place in 2019, and will be aimed at fully integrating the foreign Subsidiaries in the model and at implementing all necessary changes in terms of organisation and data management model. Under the monitoring of the DPO, the Action plan to be implemented ("Action Plan GDPR") is being executed for the purposes of fully adjusting to the rules in force.

**12. Comments on the adequacy of the administration-accounting system and its reliability to represent the management facts correctly**

The Board of Statutory Auditors as overseen the adequacy of the administrative-accounting system and its reliability to provide a correct representation of the management facts, as well as for the duties attributed to the same on the process of financial reporting, by way of: (i) periodic meetings with the Chief Executive Officer, the CFO, the Manager in charge of preparing the corporate accounting documents, Management of the Administration, Finance & Control structure; (ii) acquiring information from management; (iii) periodic meetings for the purposes of information exchange with the Audit Firm; (iv) analysing the results of the activities performed by the Audit Firm.

The Board of Statutory Auditors points out that following the conclusion of the debanking process in June 2019, the Group abandoned the formats used and the associated rules for completion provided for in Bank of Italy Circular no. 262/2005 and adopted the schedules in line with the framework provided for by IAS 1 to represent the economic and financial data as at 31 December 2019, presenting specific reconciliation statements for comparison with the previous financial year.

In compliance with the IFRS 3 "Business combinations" accounting standard, the Company provided detailed information on the *business combination* transactions carried out during 2019 in the financial statements. With specific regard to the combination with Altamira, albeit in a context of provisional nature in the *purchase price allocation* ("PPA") assessment that will be completed by the end of one year from the execution of the business combination transaction, i.e. 27 June 2020, when

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the year ended on 31 December 2019 the Company updated the combination cost allocation process in consideration of important events and information unknown or unavailable on the date of the investee's acquisition and entry into consolidation, with effects on the calculation of the provisional *fair value* of Altamira's net assets. The Company reported that the process of collecting and analysing information useful for assessment purposes is still in progress and is considered still incomplete. However, during its meeting held on 20 March 2020, the Board of Directors found no elements such as to indicate a possible impairment of the company compared to the value determined at the time of acquisition. Therefore, as at the date the consolidated financial statements as at 31 December 2019 were drafted, the Company considered *impairment* testing on the provisional value of the *goodwill* to be unwarranted and deferred this verification on occasion of the doValue Group Consolidated Half-Year Report as at 30 June 2020 on the basis of the final PPA values.
The Board of Statutory Auditors monitored the PPA process, which was carried out with the support of external advisors, in periodic meetings with the corporate functions in charge of it and with the audit firm, which found no anomalies or critical issues to this regard.

The major Group companies are subject to auditing for the purpose of the consolidated financial statements (of different reach according to the single specificity of the single company) by audit firms belonging to the EY network, except for Italfondiario S.p.A., which during 2019 granted the assignment of statutory audit of the statutory financial statements for each of the nine years ending on 31 December 2019 until 31 December 2027 to BDO Italia S.p.A., since the former statutory audit appointment of EY S.p.A. had terminated.

The Board of Statutory Auditors verified the *disclosure* provided by the Directors in the Report on Operations and in the Explanatory Notes regarding the uncertainty connected with the international health emergency tied to the Covid-19 epidemic, classified among *non-adjusting events* pursuant to the IAS 10 accounting standard in so far as they are subsequent to the date of reference of the financial statements. To this regard, the Directors reported that even though we are witnessing short-term macro-economic scenarios subject to developments and changes not precisely quantifiable at this time, "in light of the information available today, considering the measures already in progress to guarantee operational continuity and bearing in mind the type of business that the Group conducts, structurally flexible with regard to the different economic cycle phases, (...) we find that as of today there is no significant risk that can give rise to accounting value adjustments of the assets and liabilities shown in these financial statements". As far as the outlook for operations is concerned, the Directors have reported that "the current economic situation linked to the effects of the Coronavirus, which is not expected to turn into structural changes in the sector's dynamics, requires a cautious approach to the short-term trend in a context of limited visibility".

The Board of Statutory Auditors acknowledges that the process to reinforce the internal control system in the financial disclosure area that was started in 2018 has continued. In particular, also in consideration of the extension of the scope of analysis, during the second half of 2019 the Manager in charge started the process to revise the Manual on the Group rules and accounting standards and the Regulation of the Control Function of the Manager in charge and relevant Methodology that, in the most up-to-date version, were approved by the Board of Directors at the beginning of 2020. With the recent update of the internal regulatory corpus, the Company regulated coordination at Group level of the internal control system by introducing the figure of Activities Manager at the subsidiary for the Manager in charge (RACDP) and by providing for specific certificates to be issued by the latter on the tests performed on the various areas (process, ELC, ITGC) and within their scope of responsibility, and on the results obtained. Basically, the Company implemented a centralised control model directly monitored by the doValue Manager in charge on all significant Italian

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subsidiaries, while a partially decentralised model was defined for the significant foreign subsidiaries, with the appointment of the RACDP and relevant local 262 Management based on the metrics for identifying companies in scopes sanctioned in the Methodology of the Control Function of the Manager in charge.

The Board of Statutory Auditors has acknowledged the certifications issued by the Chief Executive Officer and the Manager in charge in relation to the Financial Statements and the Consolidated Financial Statements as at 31 December 2019 provided by Art. 81-ter of the Issuers' Regulation, approved by CONSOB with Resolution 11971/1999 as amended. The Board of Statutory Auditors also examined the annual report of the Manager in charge concerning the certification campaign, pursuant to Law 262/05, of the consolidated and statutory financial statements as at 31 December 2019, approved by the Board of Directors during its meeting held on 20 March 2020, from which no critical issues such as to make the accounting and financial information unreliable.

With reference to Altamira, introduced into the scope of the companies in scope for the Manager in charge starting from the FY19 session only for the part of the identification and analysis of the process controls, areas for improvement to make the controls '262 compliant' emerged, especially as regards documentability.

Upon completion of the 262 control campaign, a corrective action plan was defined, and the Board of Statutory Auditors will perform monitoring activities on its regular execution along with checking the reinforcement of the control framework for Altamira in order to guarantee standardisation of the financial reporting systems. The Board of Statutory Auditors reports that the forwarding of accounting and financial data for the period by Altamira was accompanied by a specific certificate issued by its RACDP, in compliance with the current Group policy.

The Board of Statutory Auditors also reports the judgement of adequacy provided by the Internal Audit Function on the internal control system implemented by the Manager in charge in connection with a specific audit activity performed in execution of the 2019 Plan, which ended in February 2020.

**13. Comments on the adequacy of the provisions imparted to the Subsidiary Companies in accordance with Art. 114 of the Consolidated Finance Law**

The Company's Board of Directors approved on 11 February 2019 an updated version of the Group Policy for internal management and external communication of privileged information and the keeping of Registers as well as the implementing measures of the aforementioned policy, which apply to all Group companies.

Afterwards, bearing in mind the corporate reorganisation that led to the Issuer's debanking and the international development of the Group, the Company started up a project to update the internal framework in the market abuse area that ended in July 2019, which resulted in the introduction of several formal amendments mainly aimed at:

- abrogating the procedures associated with external regulatory references no longer applicable as a consequence of the debanking;
- implementing the organisational and corporate changes associated with the debanking;
- implementing the changes connected with the functions of the new book-keeping computer application.

In this context, also with reference to the disclosure obligations pursuant to Article 114, paragraph 2, TUF, the additional aim of the Policy to define the provisions necessary so that the Italian and foreign subsidiaries promptly provide all of the information necessary to meeting the legally required disclosure obligations was clarified in the updated text of the Policy. Furthermore, it was

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established that the role of FOCIP, played by the CEO, can also be carried out through his delegate in order to make the exchange of flows of information with the Parent Company smoother.

**14. Comments on significant aspects emerging during meetings held with the auditors in accordance with Art. 150, paragraph 3 of the Consolidated Finance Law**

In conformity with the provisions of Art. 19 of Italian Legislative Decree 39/2010, the Board of Statutory Auditors, in the capacity of Internal Control and Accounts Audit Committee, has overseen the process of financial reporting, the effectiveness of the internal control system of quality, internal auditing and risk management, the annual and consolidated statutory accounts audit and the independence of the Audit Firm.

As already stated in this Report, the Board has met the Audit Firm periodically, activating a profitable exchange of information in conformity with the provisions of Art. 150 of the Consolidated Finance Law. During the meeting in December 2019, the Board of Statutory Auditors discussed with EY the auditing plan for the 2019 Financial Statements and Consolidated Financial Statements, the methodological system, the auditing approach used for the different significant areas and the application of the accounting standards. The Board informed the Audit Firm of its activity and reported on the significant facts of which it was aware.

Overall, from the information exchange with the Audit Firm, no anomalies, criticalities or omissions emerged.

**15. Company's adhesion to the Corporate Governance Code of the Corporate Governance Committee**

Following the listing, in July 2017, the Company joined the Corporate Governance Code for listed companies of the Corporate Governance Committee, and the Board of Statutory Auditors oversaw the methods of actual application of the respective corporate governance rules.

The Board of Statutory Auditors acknowledged the information provided in the annual Corporate Governance and Ownership Report, drafted according to the instructions of the Organised Market Regulation managed by Borsa Italiana and the Consolidated Finance Law, and approved by the Board of Directors on 20 March 2020.

The Board of Statutory Auditors acknowledges that the aforementioned Report illustrated in detail the methods by which the Corporate Governance Code was applied by the Company, and also highlighted the principles that were fully accepted as well as those from which the Company, even only in part, decided to deviate (according to the principle of "*comply or explain*"). In particular, as the presuppositions were not in place, the Board of Directors did not appoint an Independent Director as *lead independent director*. With regard to the actual degree of adhesion to the Corporate Governance Code, the Board of Statutory Auditors also acknowledges that the cited Report indicates that the Board of Directors, at the meeting on 31 January 2020, assessed the recommendations received from the Corporate Governance Committee with the communication dated 19 December 2019 with respect to the Governance model adopted, and deemed that doValue is essentially already "*compliant*" with the solicitations received.

**16. Conclusive assessment in relation to the supervisory activity performed as well as on any omission, censurable facts or irregularities identified**

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Dear Shareholders,

In reference to the contents of this Report, following the activity performed and the information obtained, no censurable facts, irregularities or omissions have emerged that must be mentioned in this Report. Based upon the information acquired through its supervisory activity, the Board of Statutory Auditors has not become aware of transactions implemented that were not based upon respect of the principles of correct administration or resolved or implemented not in conformity with the Law or the Articles of Association, in contrast with the resolutions made by the Shareholders' Meeting, manifestly imprudent or risky, or likely to compromise the integrity of the company assets.

Through the supervisory activity, performed by direct verifications and by acquiring information from the Audit Firm and from the Manager in charge of preparing the corporate accounting documents, the Board of Statutory Auditors has ascertained respect of the rules of Law on to the formation and structure of the financial statements of doValue S.p.A. and the Consolidated Financial Statements of the doValue Group and the respective Directors' Reports, including the Consolidated Declaration of Non-Financial Nature. Both the Financial Statements and the Consolidated Financial Statements were prepared in the perspective of business continuity and without making recourse to derogations in applying the accounting standards and assessment criteria.

With reference to the Financial Statements and the Consolidated Financial Statements of the doBank Group closing at 31 December 2019, the Board of Statutory Auditors confirms that the Chief Executive Officer and the Manager in charge of preparing the corporate accounting documents signed, with a specific report, the certifications provided by Art. 81-ter of CONSOB Regulation no. 11971 dated 14.05.1999 as amended and supplemented and by Art. 154 bis, paragraph 5 of Italian Legislative Decree 58/1998, which confirm in all their parts the regularity of the fulfilments, as required by the regulations, without comments or the existence of problems and/or anomalies.

The Audit Firm EY Spa, which was entrusted, in accordance with Art. 14 of Italian Legislative Decree 39/2010, the audit of the accounts and financial statements, in its reports, has expressed a positive opinion, without findings, objections and/or recalls on disclosure, both on the Financial Statements and on the Consolidated Financial Statements and, insofar as it is responsible, has expressed, in relation to the Report on Operations, a positive opinion on the coherence of the same with the financial statements and the conformity to the rules of Law.

With regard to allocation of the profit for the year, the Board of Statutory Auditors points out that, in consideration of the contingent situation linked to the Coronavirus epidemic, during its meeting held on 20 March 2020 the Board of Directors resolved to postpone the decision on distribution of the dividends in order to get a more outlined picture for taking said decision. To this regard, considering the escalation of the health emergency and the measures reducing activities of the judiciary system and public utility services, although acknowledging the measures already under way aimed at guaranteeing operational continuity, the Board of Statutory Auditors, to the extent of its competence, recommends a prudential approach in managing the financial structure in a scenario shadowed by considerable uncertainty such as that of today, and may formulate further observations on the question at a later date.

Considering all of the foregoing, on the basis of the activity carried out during the year, the Board of Statutory Auditors does not believe that the conditions making it necessary to exercise the right to put forward proposals to the Shareholders' Meeting pursuant to Article 153, paragraph 2 of Italian Legislative Decree no. 58/1998 on the question of approval of the Financial Statements as at







31 December 2019 and on the matters of its competence exist, not finding reasons impeding the approval of the Financial Statements as at 31 December 2019.

Milan, 14 April 2020

On behalf of the Board of Statutory Auditors

The Chairman

Chiara Molon

Certifications and reports on the Financial Statements

**Opinion of the Board of Statutory Auditors on the proposed allocation of the net profit for the year ended 31 December 2019 for the Shareholders' Meeting of doValue S.p.A.**

Dear Shareholders,

as announced in the Press Release issued on 22 April 2020, with reference to the allocation of the net profit for the year ended 31 December 2019, at the meeting held on 22 April 2020 the Board of Directors of doValue S.p.A. resolved to propose not to proceed with the distribution of dividends and to allocate the entire net profit for the year to retained earnings, in order to strengthen the Group's liquidity in light of the current operating and macroeconomic scenario characterised by strong uncertainty arising from the effects of the Coronavirus epidemic, the impact of which is currently difficult to predict with a sufficient degree of reliability.

In consideration of the observations already made in the Report of the Board of Statutory Auditors to the Shareholders' Meeting issued on 14 April 2020, and following the resolution of the Board of Directors referred to above, we confirm that the Financial Statements for 2019, as submitted to you by the Board of Directors, can be approved by you and we express a favourable opinion on the proposed allocation of profit, as presented by the Board of Directors.

Milan, 23 April 2020

On behalf of the Board of Statutory Auditors

The Chairman

Chiara Molon