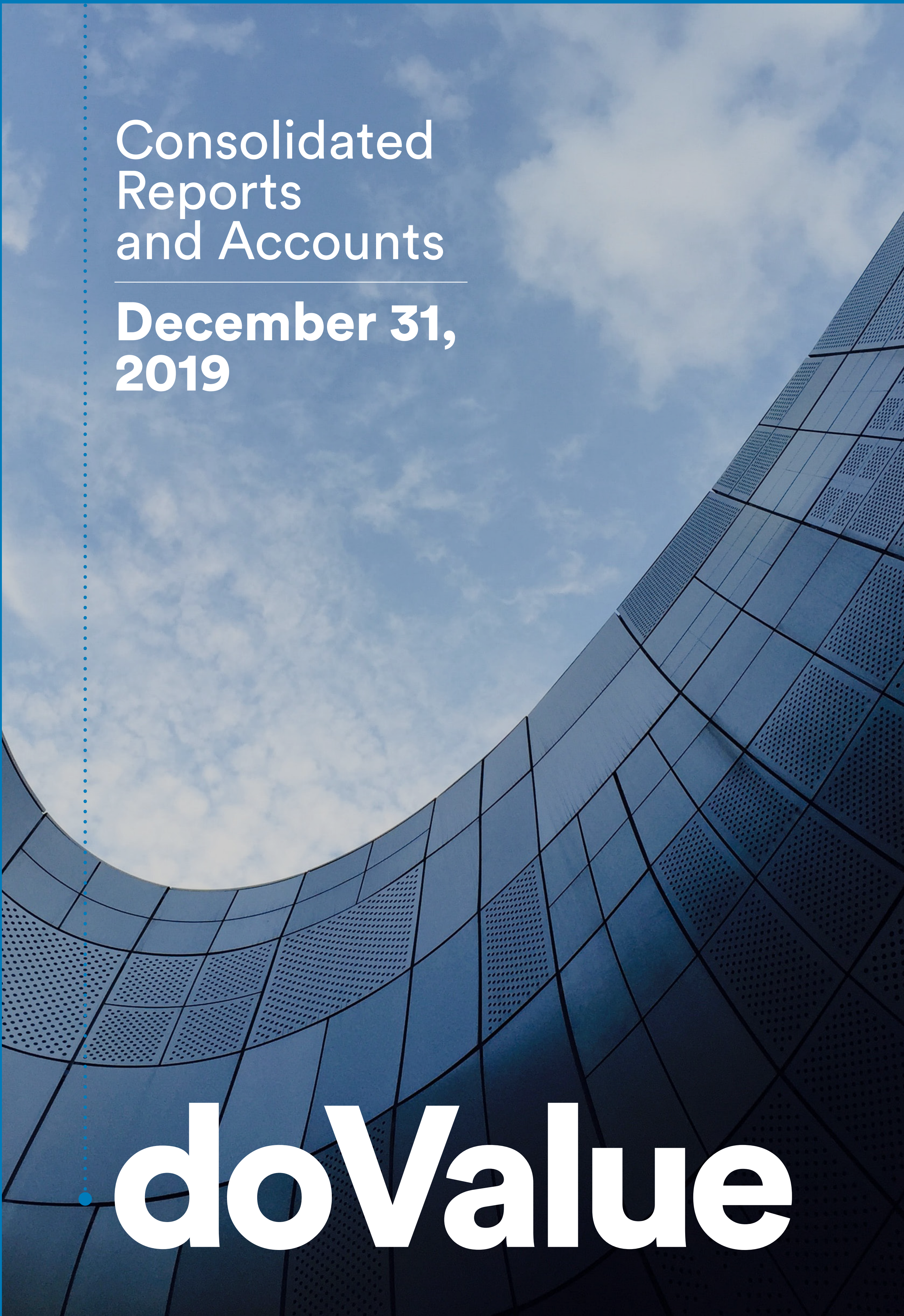
Consolidated Reports and Accounts

December 31, 2019



doValue

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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doValue

Dear ***shareholders*** and ***stakeholders***,

It is with pleasure and pride that I present the 2019 financial statements, a further step in the Group's growth and development path, with significant improvements in all the main economic and financial indicators.

In the short span of the last 12 months, your company has brought to completion significant projects of an extraordinary nature, which have transformed its profile and have made it even more prepared to interpret the variable macroeconomic and competitive scenario. All this, while at the same time safeguarding the organic development of activities, with the acquisition of significant new servicing mandates from leading international investors and systemic banks.

First of all, the completion of the complex reorganisation project which makes us today a servicing company regulated by article 115 of the TULPS, and no longer a Banking Group. The current structure of the Group is therefore more in line with our core business, the offer of management services for loans and real estate assets, and allows us a more optimal use of capital to support growth. Our new brand name, doValue instead of doBank, reflects our renewed focus on value creation for all stakeholders. The body of shareholders has also been profoundly changed, in the sense of a greater openness to the market highlighted by the increase in the free float, today accounting for around 73% of capital.

In 2019 the acquisition of Altamira Asset Management was also completed, which has opened the markets of Spain, Portugal and Cyprus and the servicing of real estate assets to the Group. Thanks to this transaction, doValue is not only a larger Group, but one that is significantly more diversified and with better exposure to growth markets, as southern Europe is the area with greater prospects for servicers, thanks to the pressing need for improvement of the banks' assets quality and to the strong interest of specialist investors.

To strengthen the growth strategy outlined by the 2020-2022 Business Plan, introduced in November 2019, the acquisition announcement of the Greek servicer FPS, which is expected to be completed by May 2020, will allow doValue to gain a market leader position also in Greece, and to strengthen its own position as the main independent servicer in southern Europe.

doValue's business model is further strengthened by these developments, as it can rely on a greater diversification in five markets in southern Europe and on different assets classes along the entire loans asset chain, performing, non performing and real estate. While maintaining the characteristics of an independent offer, aimed at all banks and investors in the market, and asset-light, without requiring investments in loans portfolios, doValue is today even better able to manage the trend of the various economic and product cycles and to efficiently respond to the market challenges. These characteristics are even more precious when, at times such as the one we are living in now while we approve the 2019 financial statements, we face great macroeconomic uncertainties caused by external variables.

2019 confirmed a clear trend on the part of our customers: banks and investors make increasing use of operators specialised in the servicing of loans and real estate assets, for activities throughout the assets value chain, starting with UTPs. This is confirmed by the new new servicing mandates in 2019 worth more than EUR 13 billion, in terms of gross book value, with the addition of new bank and investors customers in all our markets, and with the doValue's leadership position in securitisations backed by State guarantees ("GACS" in Italy). Banks and investors favour an industrial model that structurally uses servicers in the medium and long term, a guarantee of continuous opportunities of development for the Group. The servicer activity also tends to develop along ever more sophisticated data supply and management services, supporting customers with analytical and predictive capacities.

Looking at the Income Statement and Balance Sheet balances, in 2019 doValue recorded a growth in revenues of 56% to EUR 364 million, profitability (EBITDA excluding non-recurring expenses) increasing by 49%, EBITDA margin of 39% and profit of EUR 69 million (+32%). All this, while maintaining a prudent financial profile, with a leverage ratio of 1.3x in term of net debt with respect to EBITDA.

With these results, the Group faces 2020 with the awareness of playing a significant role in the development of real economy, supporting banks, investors, companies and individuals in the optimal management of loans. The priorities indicated by the Business Plan are clear: to complete the integration of Altamira Asset Management, with significant positive repercussions on the group's real estate assets, to continue to play a leading role in the servicing market in southern Europe, taking advantage of the growth opportunities it presents and to continue to work on the increasing efficiency of costs to ensure a sustainable future for the Group in the long term.

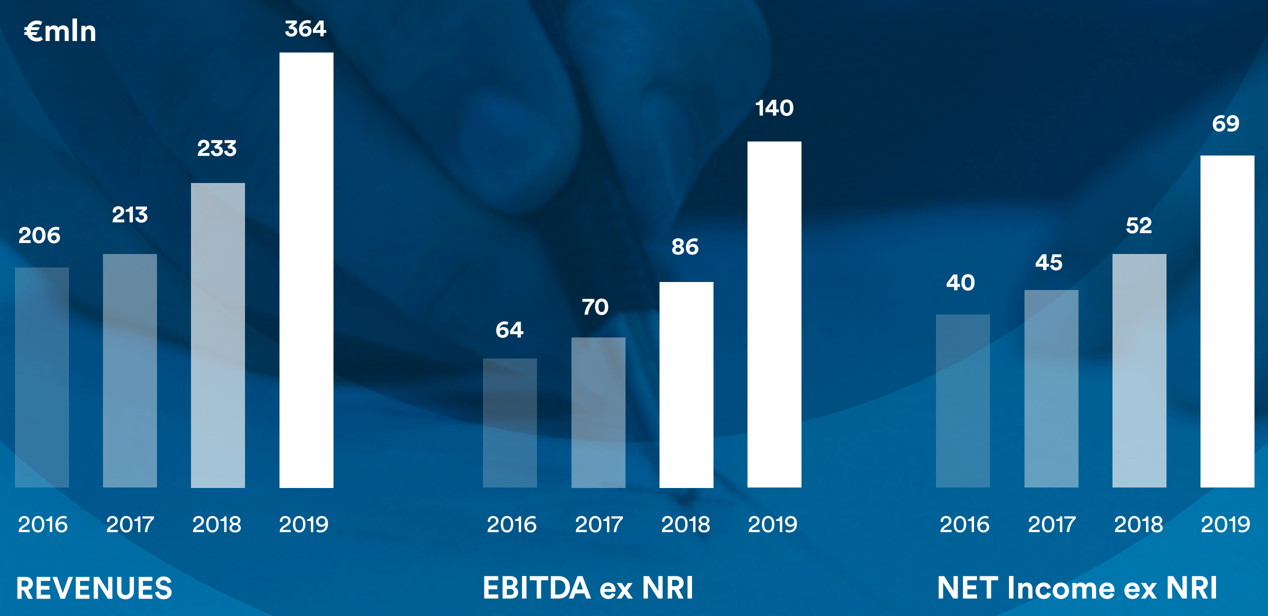
I take this opportunity to thank the Group's employees and all stakeholders, including shareholders, for the support received during the year and in the first few months of 2020, characterised by extraordinary external uncertainty, and their essential contribution to the achievement of our financial results.

Chairman of the Board of Directors
Giovanni Castellaneta

doValue

doValue is the main provider
of loans and real estate assets management services
in southern Europe, with managed assets of **over 130 billion**
and a **track record spanning 20 years**.

doValue's mission is to create value for banks and investors
and contribute to growth by promoting a sustainable
development of the financial system.



+77% overall growth rate

+119% overall growth rate

+73% overall growth rate

During the last few years **doValue** has experienced a strong growth in all its main economic and financial indicators, thanks to the positive performance of the reference market and to M&A transactions that have accelerated its geographical and product diversification.

NRI: Non Recurring Items

Number 1 in southern Europe

present in **5 markets**

doValue is the market leader in Italy, the Iberian Peninsula (Spain and Portugal), Greece and Cyprus, markets characterised by significant growth opportunities, in consideration of the high levels of non-performing loans and real estate assets and the strong interest on the part of international investors

5 areas of activity

doValue supplies management services along the entire lifecycle of the management of loans and real estate assets

Servicing of performing and early arrears loans
Servicing of UTP loans (unlikely-to-pay)
Servicing of NPL loans (non-performing loans)
Servicing of real estate assets
Services for the supply of data and other servicing ancillary services

≃ 2.350 Employees

doValue's operating model requires a capillary geographical presence and an in-depth knowledge of the regional characteristics of the territories in which it operates

State-of-the-art IT infrastructure

doValue's activities are governed by a proprietary IT infrastructure developed over 20 years of experience.

The data asset that doValue makes available to its customers allows to optimise the assets management process, improving predictive abilities and the ability to anticipate market trends

doValue's customers

Banks

Through long term flow contracts, doValue supports the main financial institutions in optimising the assets management process, improving performance and simplifying processes

Specialist investors

doValue supports the main international investors specialised in loans and real estate in reaching their objectives, offering a complete portfolio of services to manage their investments starting with due diligence and structuring of management phases

BUSINESS MODEL

Asset owned by clients

Early Arrears
< 90 days past due

UTPs

NPLs
(>90dpd)

REOs

Long-term servicing contracts

doValue

Full Cycle Credit Servicing
Focus on large corporate loans

< 90 dpd

Amicable agreements
Deferred payments
Re-performing

NPL & UTP

Restructuring
Bankruptcies
Repossessions
Foreclosures
Extra-judicial foreclosurea

Real Estate Management

REO commercialization
Real Estate Development
Property management

doValue provides a set of integrated services for the **management of loans** and **real estate assets** to its customers, assets owning banks and investors, for the purpose to support them in their value creation objectives (“Servicing”).

The services offered by the Group include restructuring and liquidation of loans (“Special Servicing”), due diligence activities, Master Servicing and structuring of securitizations, marketing, development and management of real estate assets, management and provision of data and other services to support Servicing.

Banks and investors trust doValue’s management of their loans and property assets through long term partnerships: doValue makes its 20 years’ experience, its proprietary technology and process efficiency available for fixed and variable fees.

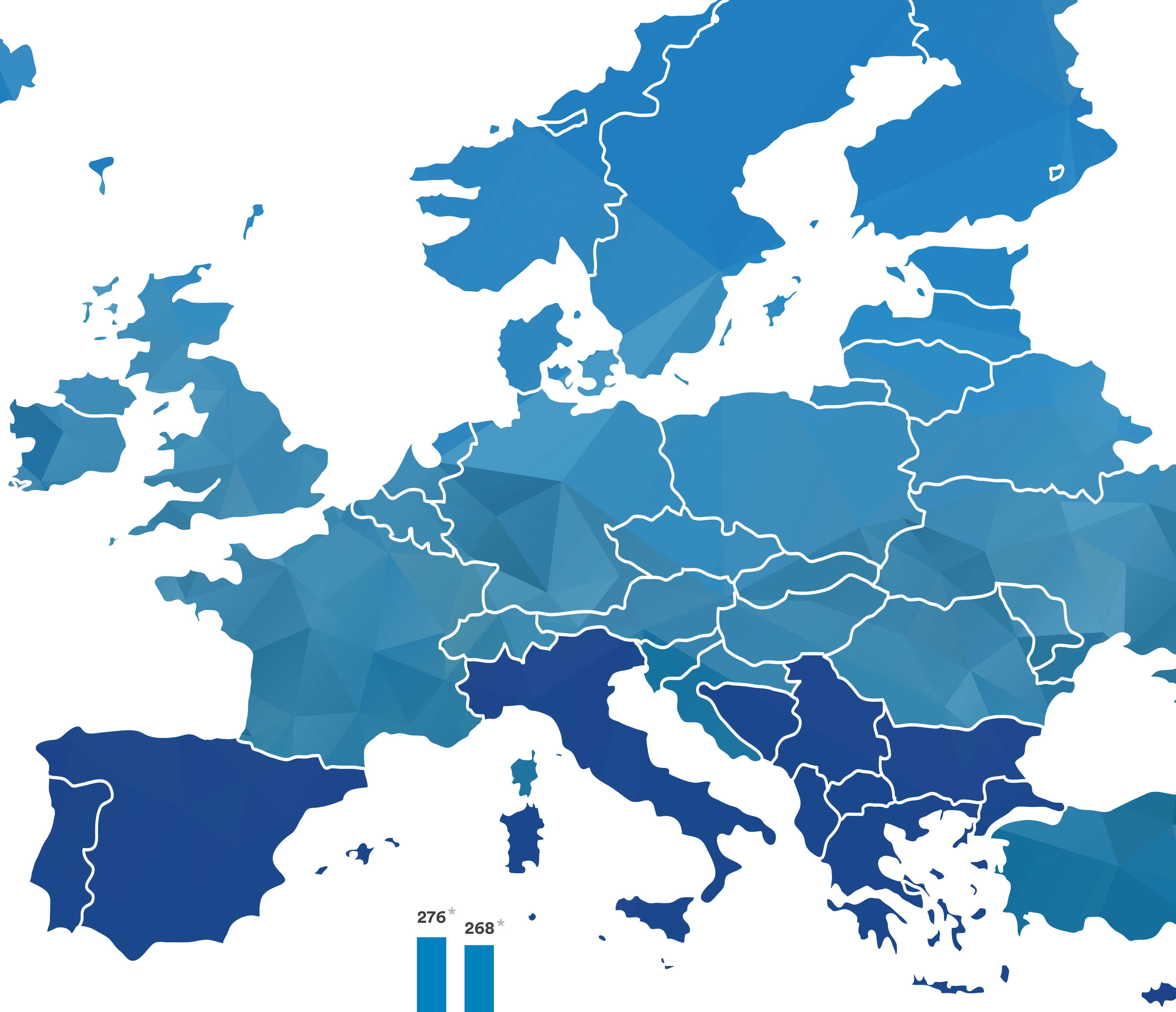
doValue is, therefore, characterised by an independent Servicing business model, open to all specialist banks and investors in the market, which does not require direct investments in loans and real estate assets, and is therefore asset-light.

Within the assets management value chain, doValue focuses on activities with greater added value: management of medium-large bank loans, of corporate origin and supported by real estate guarantees. In addition, doValue is able to assist banks from the first stages of performing loans management and also in the optimal value enhancing of owned real estate assets.

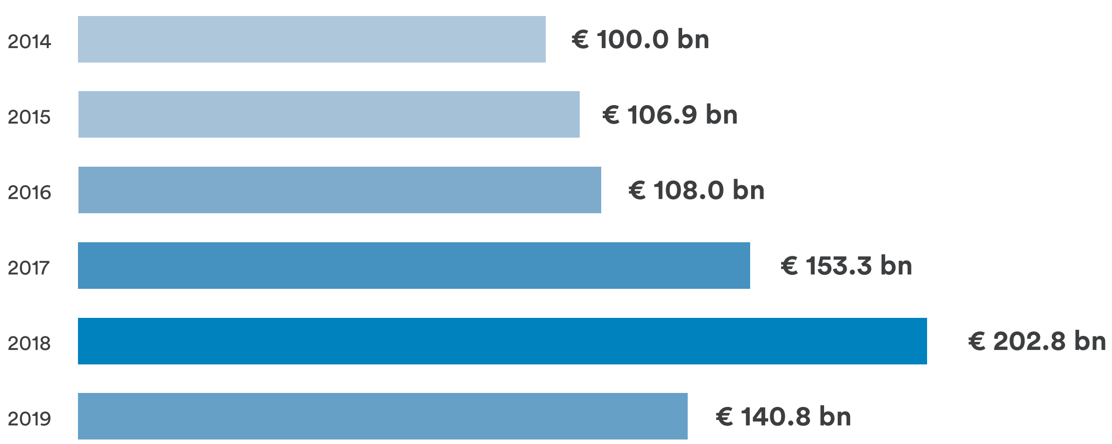
The reference Market

The activity of servicing loans and real estate assets in Europe benefits from structural trends that drive banks and investors to make greater recourse to outsourcing activities for the management of their assets.

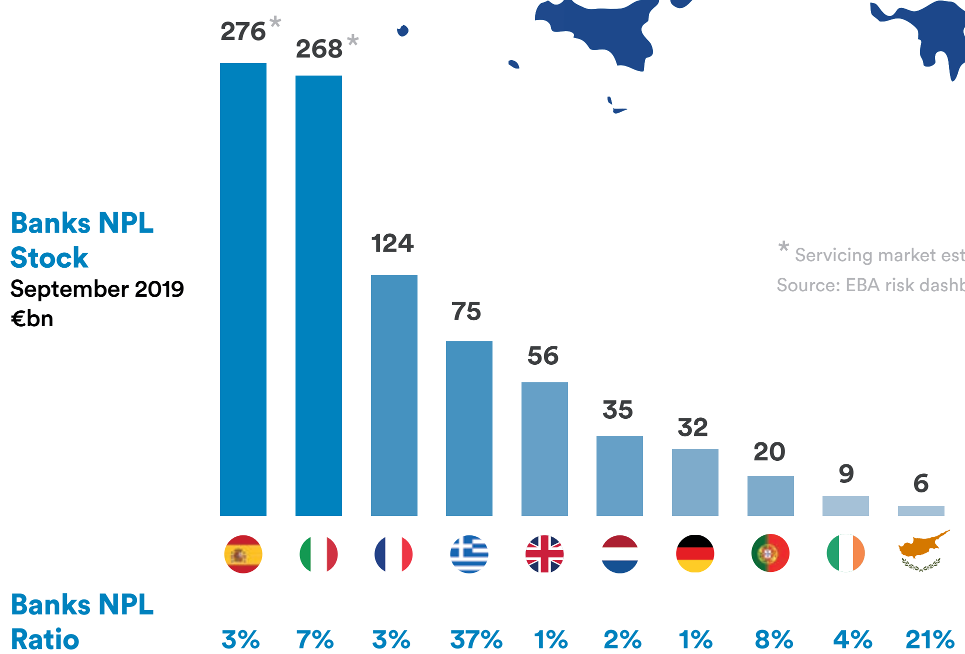
In spite of the reduction in the last few years, the stock of non-performing loans in Europe, and the relative real estate collateral, represent a significant reference market for Servicers and continues to attract the interest of specialist investors.
In particular, there is a significant concentration of this type of assets in southern Europe, a market characterised by higher than average NPL ratios and a greater urgency on the part of financial institutions to transfer their loans portfolios or promote a more efficient management of them, through outsourcing contracts with specialist operators, including doValue.
These markets are also characterised by a greater management complexity, a factor that makes the activity of servicers even more essential, and by good growth prospects for the servicing of real estate assets.
An important indicator of market dynamics is represented by the volume of anticipated loan transactions: assets transfers from banks to investors (primary market) or between different investors (secondary market). These transactions normally translate into a greater involvement of the Servicer. A significant volume of activities is expected in 2020, estimated to be over EUR 20 billion in Italy, over EUR 25 billion in Spain and Portugal and over EUR 15 billion between Greece and Cyprus.



European loan portfolio activity by year (€bn)



Source: Deloitte, "Deleveraging Europe", October 2019



* Servicing market estimate as at June 2019
Source: EBA risk dashboard, third party analysys

APPROACH
TO SUSTAINABILITY

The **doValue Group** intends to disseminate and share with all stakeholders its own culture oriented to the values of integrity and respect for individuals. doValue has embarked on a path to include more and more sustainability in its business strategy by promoting innovative projects and awareness campaigns towards all stakeholders.

Are three the pillars of our sustainability path, that inspired all the initiatives promoted by the Group for building a sustainable future and to create social value, environmental value and value for the employees:

Ethics

acting responsibly to pursue correctness, collaboration, fairness, transparency and mutual respect in the performance of all activities.

Innovation

understood as constant research and improvement of its services.

Attention to people

to develop a relationship of mutual trust, whether employees, customers or members of the local community.

GROUP VALUE

€131,5 billion
Gross Book Value Portfolio managed

€ 69,1 milioni
Net profit (excluding non-recurring costs)

SOCIAL VALUE

905
Number of beneficiaries of Spazio Mamme by Save the Children in Italy

VALUE FOR EMPLOYEES

≃2.350
Number of employees

56%
Female employees

99%
Permanent contracts

over **47.000**
Hours of training provided

ENVIRONMENTAL VALUE

500+ kg
Waste per year collected from the seas thanks to the LifeGate PlasticLess project in Italy

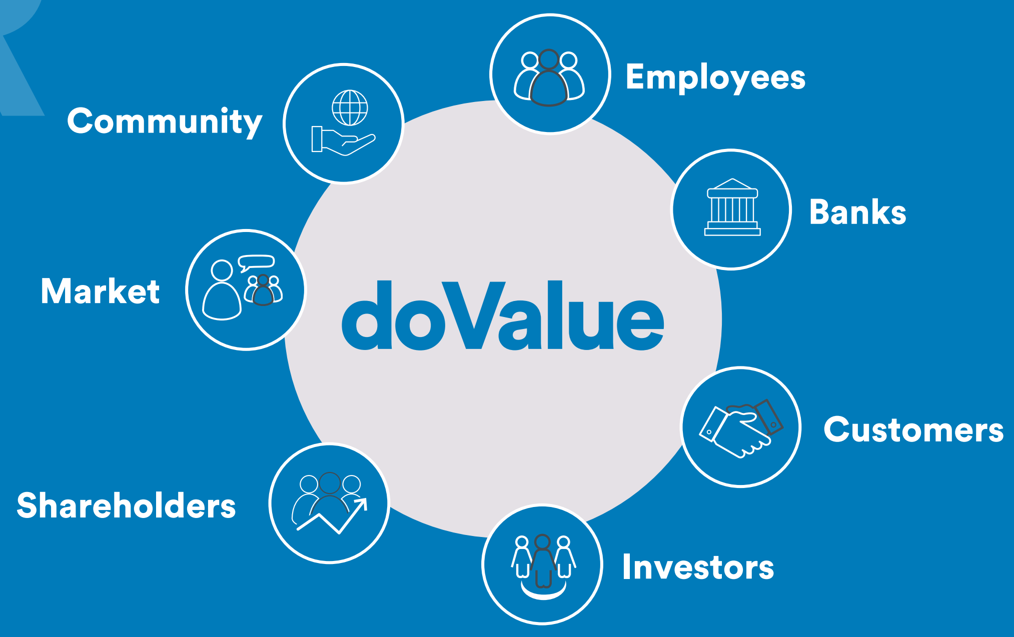
1.384 mq
Forest areas created in Italy's Ticino Park, thanks to the Zero Impact® Web project

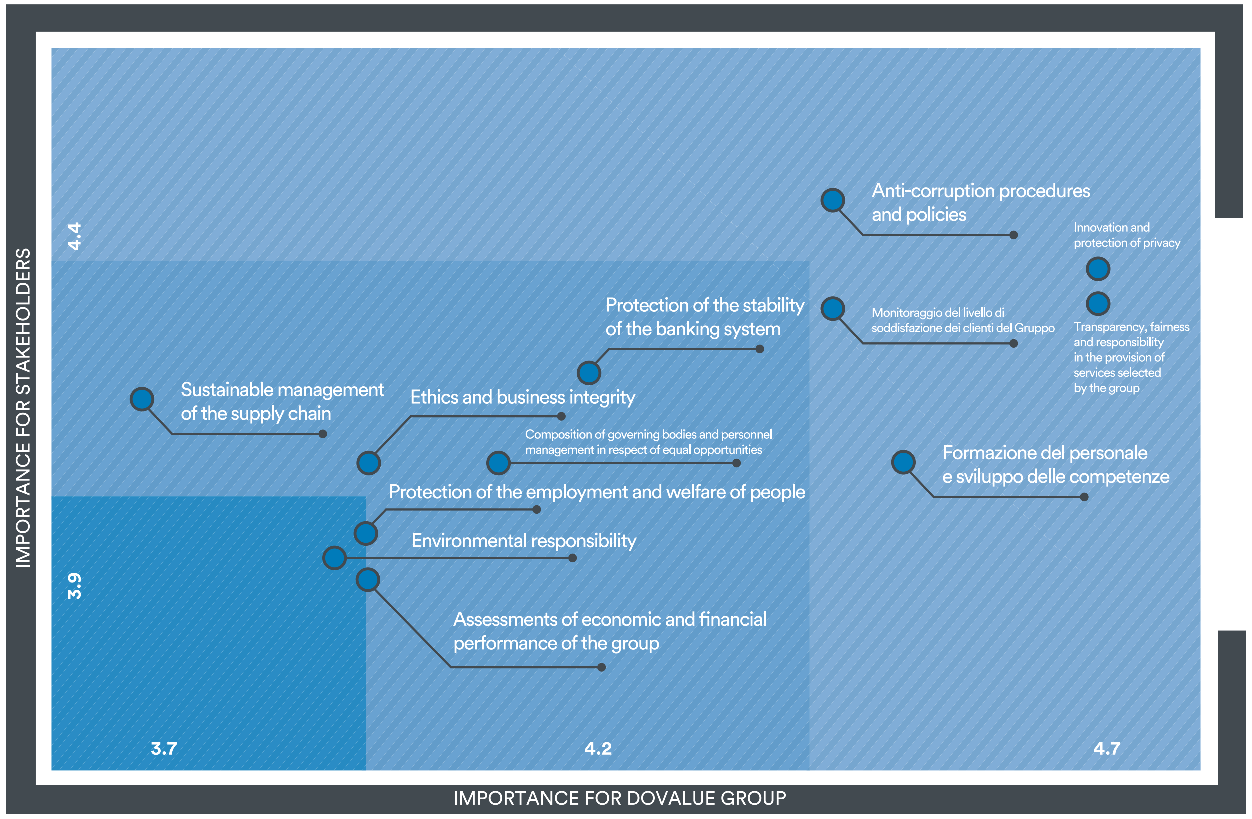
46%
Renewable energy over total energy consumed

Our stakeholder

For the 2019 Non Consolidated Financial Statement doValue Group updated the materiality analysis to identify the topics relevant to the Group and its stakeholders, or rather those aspects which significantly influence the capacity to create value over the short, medium and long term.

In line with last year, the categories of stakeholders with which the company interfaces in the performance of its activities are the following:





Materiality matrix

doValue Group carried out a materiality analysis was carried out for the materiality analysis which led to the identification of 18 relevant topics, which were then evaluated through a survey given to all Group employees, the CEO as the expression of Top Management and to a group of relevant suppliers.

The survey represented the first opportunity to involve all employees and allowed taking a snapshot of the priorities of the Group and stakeholders on ethical, social and environmental sustainability issues.

The materiality matrix provides an overview of the issues found to be most relevant from the analyses conducted in 2019.

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

FINANCIAL REPORTING OFFICER

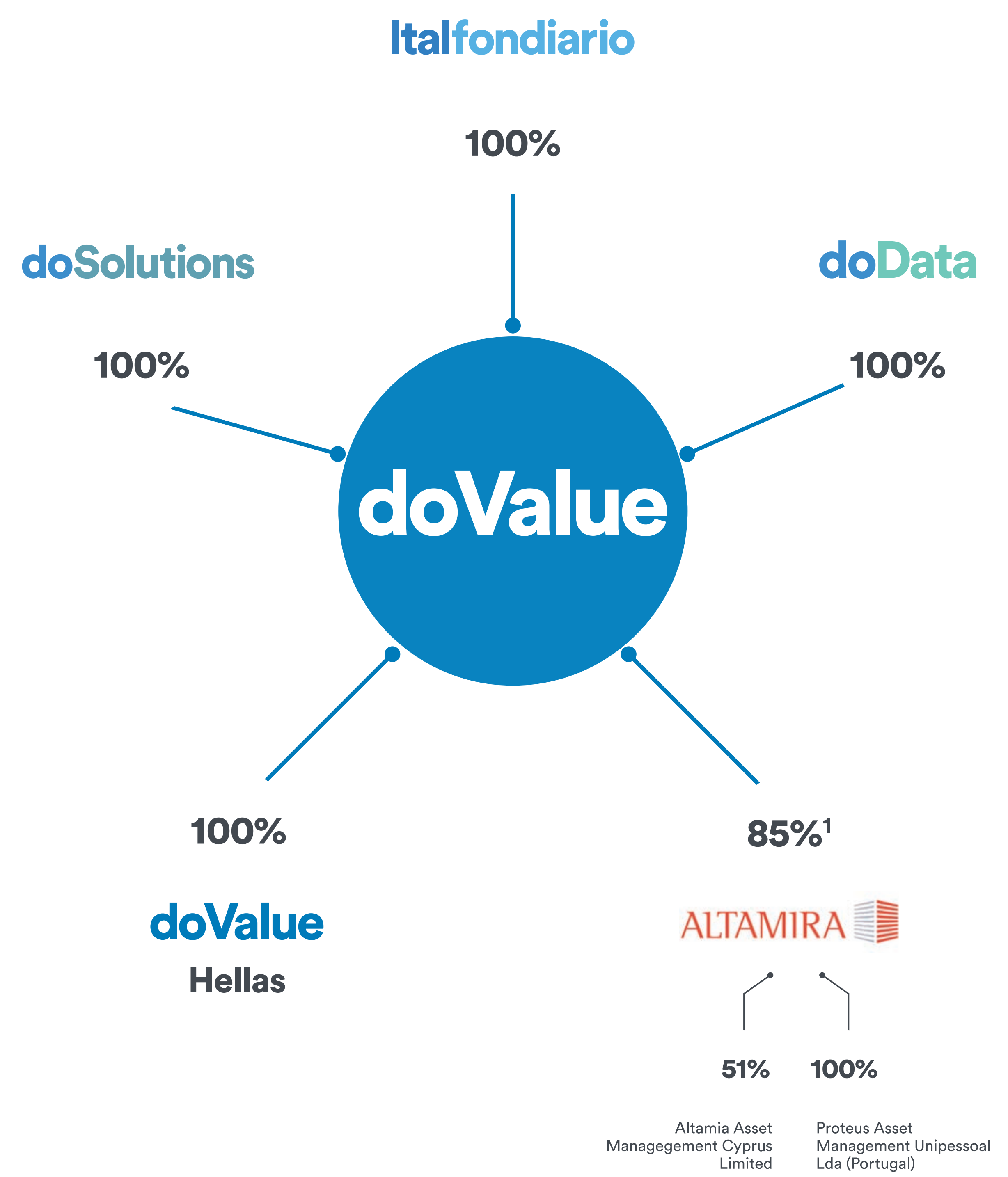
EY S.P.A.

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

Group Structure

doValue is the main player in Southern Europe providing services for the management of accounts receivables and property assets ("Servicing"), for banks and investors customers, with assets under management of over €130 billion as at the end of 2019 (gross book value).



[1] Altamira also holds 100% of the class "B" shares of Altamira Asset Management Cyprus Limited and 100% of Altamira Asset Management Hellas Single Member Company.

doValue: a story of growth and diversification

The Parent Company doValue SpA, a Servicing company regulated by article 115 of TULPS[1], carries out Servicing activities on NPL, UTP and Real Estate assets, provides ancillary services such as business information services through doData and Master Services through ITF, and coordinates the subsidiaries' activities, which operate in a business area or a geographical market or in the supply of technology and back office services (doSolutions).

doValue (formerly doBank) was formed in 2016 from the combination of Italy's two largest independent servicers: UCCMB, originally part of the UniCredit Group, and Italfondiario, active since 2000 in partnership with leading specialist investors.

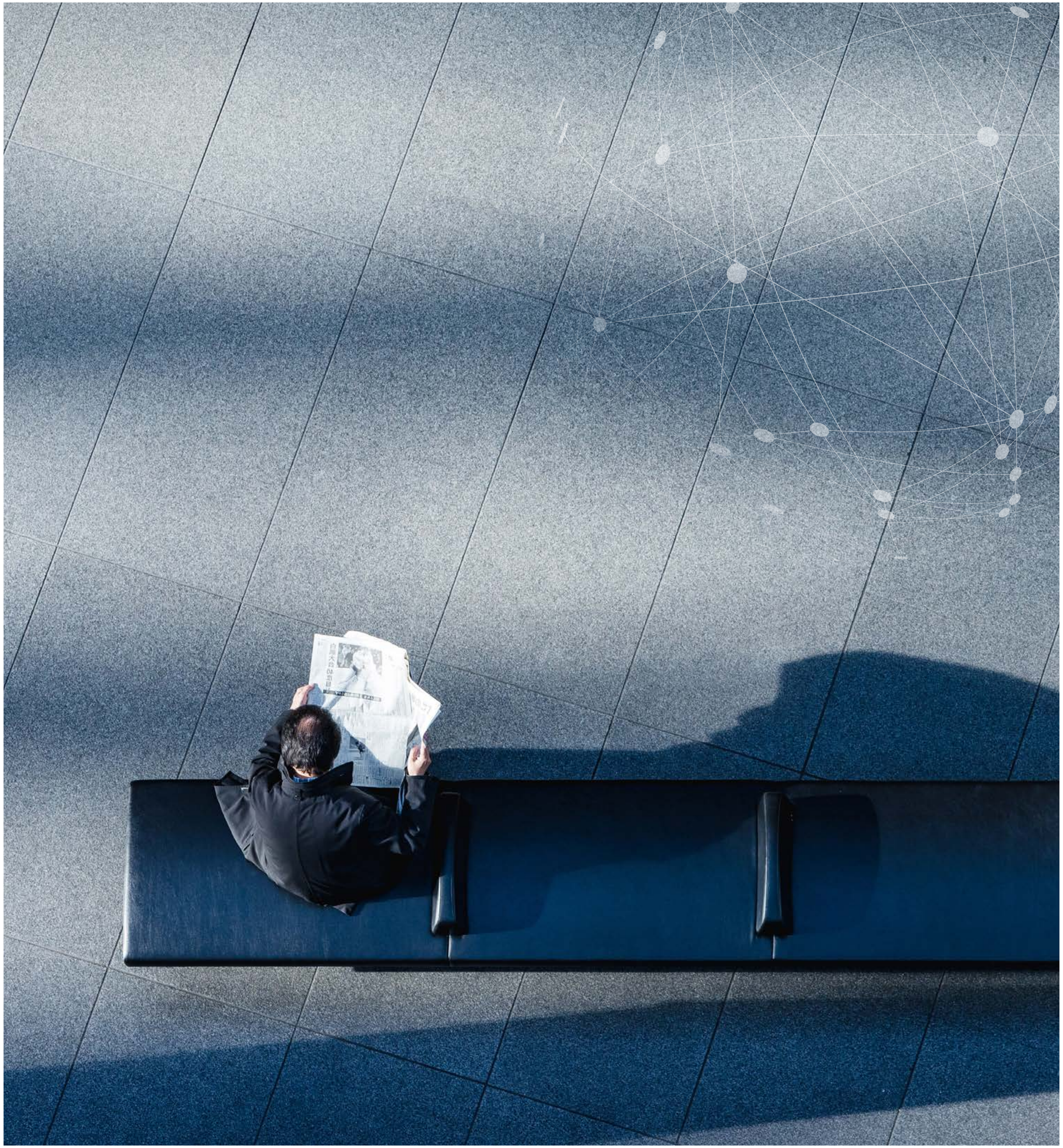
In July 2017, the doValue stock debuted on the stock exchange with an offer that was concluded in advance due to the strong interest shown by domestic and international institutional investors. doValue shares are traded under ISIN IT0001044996 and ticker symbol DOV [Bloomberg: DOV IM].

Between 2018 and 2019 doValue went through a strong expansion and deep diversification phase, with the entry first in the Greek market with a mandate from the four systemic local banks and later in the wider southern European market, with the acquisition of Altamira Asset Management, a Servicer active in Spain, Portugal and Cyprus, a leader in the management of real estate assets. doValue's development in the Italian market continued with the acquisition of new management mandates from banks and investors, in particular with the leadership in services of securitisation operations backed by the "GACS" government guarantees.

At the end of 2019 doValue announced the acquisition of FPS, a Greek Servicer with managed assets of over 26 billion, which allowed the Group to become a leader also in the promising Greek market. The completion of the FPS acquisition, expected by May 2020, represents a further step forward in the achievement of the Group's 2020-2022 business plan, which aims at the strengthening of doValue's leadership in the servicing market in southern Europe through an asset-light business model which does not require direct investments in assets portfolios and pursuing an increasingly greater diversification in the credit value chain.

(1) Italian Consolidated Law on Public Security

€ 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 **December**: doValue announces the acquisition of Greek servicer FPS Loans and Credits Claim Management (completion by May 2020)



DIRECTORS' REPORT ON THE **GROUP**

The summary results and financial and economic performance indicators are based on data draw 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

The **Group's** Business

The doValue Group 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.

The Group provides services in the following categories:

- NPL Servicing: activities related to the administration, management and recovery of loans utilising in court and out-of-court recovery processes for and on behalf of third parties with regard to portfolios of mainly non-performing loans;
    - In the context of Servicing of NPLs, doValue is focused on bank corporate loans, characterised by a medium-large size and a high proportion of real estate collateral;
- Real Estate Servicing: a set of activities related to the management of real estate assets on behalf of third parties, including:
    - Real estate collateral management: activities aimed at the development and sale, directly or through intermediaries, of real estate owned by customers originally used as collateral for bank loans;
    - Real estate development: services aimed at analysing, realising and marketing real estate development projects involving the assets owned by customers;
    - Property management: protection, management and maintenance of the customers' real estate assets, with the aim of maximising profitability through sale or lease;
- UTP Servicing: activities related to the administration, management and restructuring of loans classified as unlikely-to-pay, on behalf of third parties, with the aim of promote their transition to a performing status; this activity is mainly carried out by the subsidiary Italfondiario, regulated in compliance with art. 106 of the TUB (financial intermediary);
- Early Arrears and performing loans servicing: activities relative to the management of performing loans or loans outstanding for less than 90 days, not yet classified as non-performing, on behalf of third parties, with the aim of supporting the creditor to make a rapid transition to performing status;
- Ancillary Data and Products: collection, processing and provision of commercial, real estate and legal information (through the doData subsidiary) relating to debtors as well as the provision of other services strictly linked to activities for the recovery of loans, including:
    - "Due Diligence": services including the collection and organisation of information in data room environments as well as the analysis and assessment of loan portfolios for the preparation of business plans for collection and recovery activities;

- Master Servicing and Structuring: administrative, accounting, cash management and reporting services in support of securitisation of loans; structuring services for securitisation transactions under Law 130/1999 as well as performing the role of authorised entity in securitisation transactions;
- Master legal: services for the preparation and coordination of activities for the recovery of loans through judicial action, including the analysis of documents, the preparation of legal opinions and the assistance in the preparation of legal actions;
- "Co-investment": activities of co-investment in loan portfolios in partnership with major financial investors, where such activities are instrumental in obtaining servicing contracts. This business involves taking minority positions in securities issued by securitisation vehicles governed by Law 130/1999.

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.

0.2

Macroeconomic environment

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%[2]. 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 continue 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[3], up 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 billion 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.

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

GROUP HIGHLIGHTS

(€/000)

Key data of the consolidated income statement	12/31/2019	12/31/2018 RESTATED(1)	Change	Change %
Gross Revenues	363,838	233,143	130,695	56%
Net Revenues	323,680	209,587	114,093	54%
Operating expenses	(195,914)	(125,818)	(70,096)	56%
EBITDA	127,766	83,769	43,997	53%
EBITDA Margin	35%	36%	(1)%	(2)%
Non-recurring items included in EBITDA(2)	(12,676)	(2,712)	(9,964)	n.s.
EBITDA excluding non-recurring items	140,442	86,481	53,961	62%
EBITDA Margin excluding non-recurring items	39%	37%	2%	4%
EBT	71,205	79,682	(8,477)	(11)%
EBT Margin	20%	34%	(15)%	(43)%
Profit (loss) for the period attributable to the Shareholders of the parent company	38,318	50,498	(12,180)	(24)%
Profit (loss) for the period attributable to the Shareholders of the Parent Company excluding non-recurring items	69,062	52,282	16,780	32%

(1) In order to enhance the comparability of the figures for 2019 with the figures in the income statement, the effects of the application of the new IFRS 16 Leases as from January 1, 2019 have been included. See also the separate reconciliation table.
(2) 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

(€/000)

Key data of the consolidated balance sheet	12/31/2019	12/31/2018	Change	Change %
Cash and liquid securities	128,162	74,630	53,532	72%
Intangible assets	340,879	6,847	334,032	n.s.
Financial assets	48,609	36,139	12,470	35%
Trade receivables	176,991	99,224	77,767	78%
Tax assets	98,554	87,356	11,198	13%
Total assets	**830,687**	**317,036**	**513,651**	**n.s.**
Financial liabilities	456,663	294	456,369	n.s.
Trade payables	46,969	21,848	25,121	115%
Tax Liabilities	42,347	11,090	31,257	n.s.
Other liabilities	25,196	14,152	11,044	78%
Provisions for risks and charges	25,669	20,754	4,915	24%
Total Liabilities	**605,388**	**84,247**	**521,141**	**n.s.**
Shareholders' equity	**225,299**	**232,789**	**(7,490)**	**(3)%**

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

(€/000)

KPIs	12/31/2019	12/31/2018 (1)
Gross Book Value (EoP) - Group	131,527,995	138,578,013
Gross Book Value (EoP) - Italy	78,796,103	82,179,013
Collections - Italy	1,893,198	1,961,177
Collections - Italy - Stock	1,794,339	1,768,762
LTM Collections / GBV EoP - Italy - Overall	2.40%	2.39%
LTM Collections / GBV EoP - Italy - Stock	2.47%	2.50%
Staff FTE / Totale FTE	38%	37%
LTM Collections / Servicing FTE - Italy	2.57	2.66
EBITDA	127,766	83,769
Non-recurring items (NRIs) included in EBITDA	(12,676)	(2,712)
EBITDA excluding non-recurring items	140,442	86,481
EBITDA Margin	35%	36%
EBITDA Margin excluding non-recurring items	39%	37%
Profit (loss) for the period attributable to the shareholders of the parent company	38,318	50,498
Non-recurring items included in Profit (loss) for the period attributable to the Shareholders of the Parent Company	(31,135)	(1,784)
Profit (loss) for the period attributable to the Shareholders of the Parent Company excluding non-recurring items	69,062	52,282
Earnings per share (Euro)	0.48	0.63
Earnings per share excluding non-recurring items (Euro)	0.86	0.65
Capex	8,086	5,408
EBITDA - Capex	119,680	78,361
Net Working Capital	130,022	77,376
Net Financial Position	(236,465)	68,098
Leverage (Net Debt / EBITDA LTM PF)	1.3x	n.a.

(1) In order to enhance the comparability of the figures for 2019 with the figures in the income statement, the effects of the application of the new IFRS 16 Leases as from January 1, 2019 have been included. See also the separate reconciliation table.

Key

Gross Book Value EoP Group/Italy: indicates the book value of the loans under management at the end of the reference period for the entire perimeter of Group/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 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 full-time employees of the Group. 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 EBT attributable to Parent Company shareholders: together with other relative profitability indicators, they highlight changes in operating performance and provide useful information regarding the Group'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 for the period 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 for the period excluding non-recurring items net of the associated tax effects.

EBITDA – Capex: calculated as EBITDA net of investments in fixed capital (including 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 Group'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 Group.

Leverage: it is represented by the ratio between the Net financial position and the pro-forma EBITDA for the last 12 months to take into account of relevant transactions from the start of the reference period. It represents an indicator on the Group's borrowings level.

0.3

Group results at December 31, 2019

PERFORMANCE

The following table compares the consolidated income statement as at December 31, 2019 with that as at December 31, 2018 restated to ensure data comparability and therefore retrospectively reflect the impact of the application of the new IFRS 16 Leases.

As notes in the section on accounting policies, from January 1, 2019 the application of the new standard entails a different calculation and a different classification of lease payments, which until December 31, 2018 had been recognised under administrative expenses and therefore included in the calculation of EBITDA: they are now broken down into depreciation of property, plant and equipment and interest and fees on financial assets for the financial expense component.

In order to enable a comparison of the values, therefore, the data for 2018 was restated as follows.

It is noted that the results for the 2019 financial year include Altamira Asset Management only for the second half of 2019: the acquisition was in fact completed at the end of June.

Graph

(€/000)

	12/31/2019	12/31/2018 RESTATED [1]	Change	Change %
NPL revenues	268,034	205,538	62,496	30%
REO revenues	57,830	-	57,830	n.s.
Co-investment revenues	564	911	(347)	(38)%
Ancillary and other revenues	37,410	26,694	10,716	40%
Gross revenues	**363,838**	**233,143**	**130,695**	**56%**
NPL Outsourcing fees	(19,855)	(18,586)	(1,269)	7%
REO Outsourcing fees	(12,675)	-	(12,675)	n.s.
Ancillary Outsourcing fees	(7,628)	(4,970)	(2,658)	53%
Net revenues	**323,680**	**209,587**	**114,093**	**54%**
Staff expenses[3]	(133,658)	(94,054)	(39,604)	42%
Administrative expenses	(62,256)	(31,764)	(30,492)	96%
o/w: IT	(20,297)	(13,576)	(6,721)	50%
o/w: Real Estate	(5,192)	(6,055)	863	(14)%
o/w: SG&A	(36,767)	(12,133)	(24,634)	n.s.
Operating expenses	**(195,914)**	**(125,818)**	**(70,096)**	**56%**
EBITDA	**127,766**	**83,769**	**43,997**	**53%**
EBITDA margin	**35%**	**36%**	**(1)%**	**(2)%**
Non-recurring items included in EBITDA[2]	(12,676)	(2,712)	(9,964)	n.s.
EBITDA excluding non-recurring items	**140,442**	**86,481**	**53,961**	**62%**
EBITDA Margin excluding non-recurring items	39%	37%	2%	4%
Net write-downs on property, plant, equipment and intangibles	(39,991)	(5,536)	(34,455)	n.s.
Net provisions for risks and charges	(10,732)	(317)	(10,415)	n.s.
Net write-downs of loans	815	861	(46)	(5)%
Profit (loss) from equity investments	-	919	(919)	(100)%
EBIT	**77,858**	**79,696**	**(1,838)**	**(2)%**
Net income (loss) on financial assets and liabilities measured at fair value	806	418	388	93%
Financial interest and commissions	(7,459)	(432)	(7,027)	n.s.
EBT	**71,205**	**79,682**	**(8,477)**	**(11)%**
Non-recurring items included in EBT	(23,949)	-	(23,949)	n.s.
EBT excluding non-recurring items	95,154	79,682	15,472	19%
Income tax for the period	(29,826)	(29,184)	(642)	2%
PROFIT (LOSS) FOR THE PERIOD	**41,379**	**50,498**	**(9,119)**	**(18)%**
Profit (loss) for the period attributable to Non-controlling interest	(3,061)	-	(3,061)	n.s.
PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY	**38,318**	**50,498**	**(12,180)**	**(24)%**
Non-recurring items included in Profit (loss) for the period attributable to the Shareholders of the Parent Company[3]	(31,135)	(1,784)	(29,351)	n.s.
Non-recurring items included in Profit (loss) for the period attributable to Non-controlling interest	(391)	-	(391)	n.s.
Profit (loss) for the period attributable to the Shareholders of the Parent Company excluding non-recurring items	69,062	52,282	16,780	32%
Profit (loss) for the period attributable to Non-controlling interests excluding non-recurring items	3,452	-	3,452	n.s.
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%

(1) In order to enhance the comparability of the figures for 2019 with the figures in the income statement, the effects of the application of the new IFRS 16 Leases as from January 1, 2019 have been included. See also the separate reconciliation table.
(2) 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
(3) 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

Restatement of the 2018 financial year, with indication of the impact of IFRS 16 Leases

The following table provides a restatement of the income statement published in the Consolidated Financial Statements as at December 31, 2018, showing the impact of IFRS 16 as if it had been applied retrospectively as from January 1, 2018.
This restatement is not required by the standard and has been prepared on a voluntary basis for management income statement data only, in order to enable a comparison of the figures for 2019 with those for the corresponding period of the previous year.
The calculation of the impact of IFRS 16 is therefore an estimate based on outstanding leases in 2018.

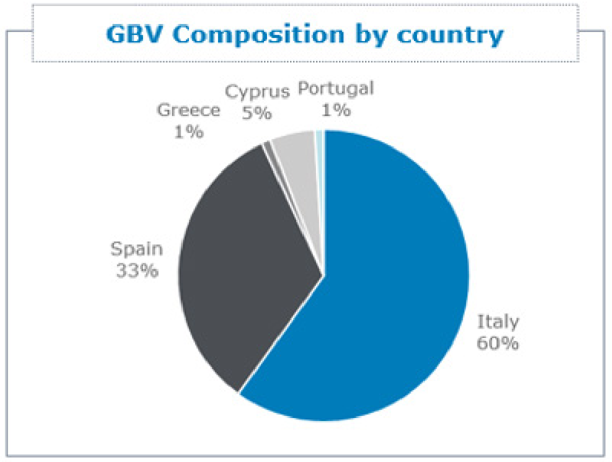
(€/000)

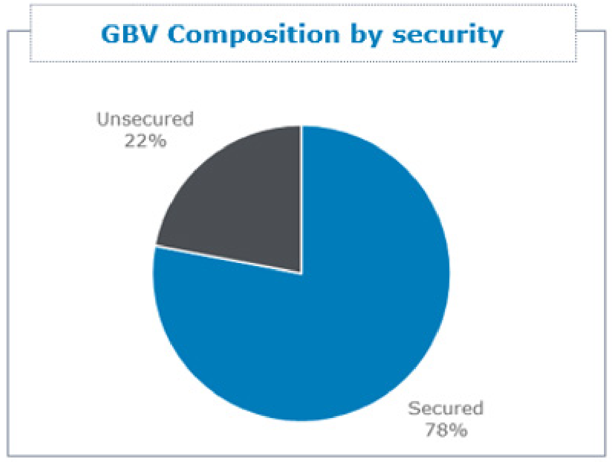
Condensed consolidated income statement	12/31/2018	IFRS 16	12/31/2018 RESTATED
NPL revenues	205,538	-	205,538
Co-investment revenues	911	-	911
Ancillary and other revenues	26,694	-	26,694
Gross revenues	**233,143**	**-**	**233,143**
NPL Outsourcing fees	(18,586)	-	(18,586)
Ancillary Outsourcing fees	(4,970)	-	(4,970)
Net revenues	**209,587**	**-**	**209,587**
Staff expenses[3]	(94,054)	-	(94,054)
Administrative expenses	(34,240)	2,476	(31,764)
o/w: IT	*(13,576)*	*-*	*(13,576)*
o/w: Real Estate	*(8,352)*	*2,297*	*(6,055)*
o/w: SG&A	*(12,311)*	*178*	*(12,133)*
Operating expenses	**(128,294)**	**2,476**	**(125,818)**
EBITDA	**81,293**	**2,476**	**83,769**
EBITDA margin	**36%**		**36%**
Non-recurring items included in EBITDA[2]	(2,712)	-	(2,712)
EBITDA excluding non-recurring items	**84,005**	**2,476**	**86,481**
EBITDA Margin excluding non-recurring items	37%		37%
Net writedowns on property, plant, equipment and intangibles	(2,755)	(2,781)	(5,536)
Net provisions for risks and charges	(314)	(3)	(317)
Net writedowns of loans	861	-	861
Profit (loss) from equity investments	919	-	919
EBIT	**80,004**	**(308)**	**79,696**
Net income (loss) on financial assets and liabilities measured at fair value	418	-	418
Financial interest and commissions	(220)	(212)	(432)
EBT	**80,202**	**(520)**	**79,682**
Non-recurring items included in EBT	-	-	-
EBT excluding non-recurring items	80,202	(520)	79,682
Income tax for the period	(29,362)	178	(29,184)
Profit (loss) of assets sold and held for sale net of tax	-	-	-
PROFIT (LOSS) FOR THE PERIOD	**50,840**	**(342)**	**50,498**
Profit (loss) for the period attributable to Non-controlling interests	-	-	-
PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY	**50,840**	**(342)**	**50,498**

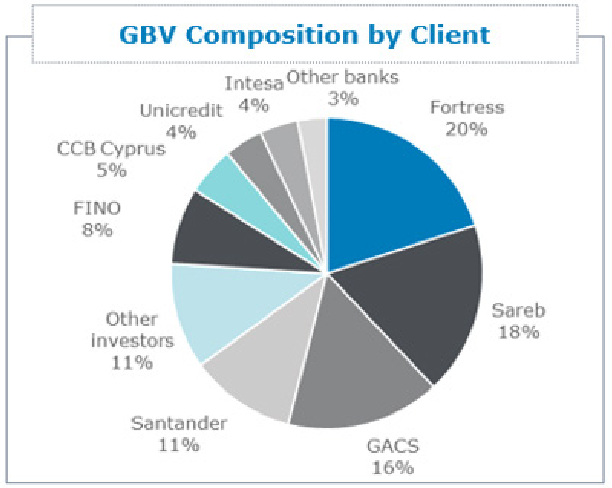
Portfolio under management

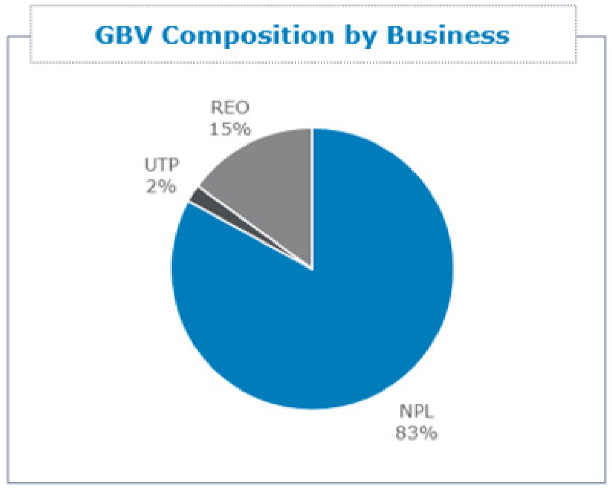
At the end of 2019 the Group's Managed Assets (GBV) in 5 markets in Italy, Spain, Portugal, Greece and Cyprus amounts to €131.5 billion, markedly up compared to the Managed Portfolio (GBV) of the Italy perimeter of €82.2 billion at the end of 2018 (€138.6 billion for the Group in 2018, inclusive of the contribution of Altamira Asset Management). The Group's GBV, currently at an on-boarding stage, reached €135.8 billion, inclusive of the mandate signed with Alpha Bank in Cyprus in October 2019 for around €4.3 billion in addition to the forecast of future flows.

The charts below represent the composition of the managed portfolio in terms of geographical diversification, type of asset and main customers:









During the year, the managed portfolio took over new mandates for €13 billion, signed in the second half of 2019, which include new banks and investors in all the main markets. To be noted among the new mandates are the flows from existing contracts with UniCredit and Santander and new managed portfolios from UBI, Carige and Iccrea in Italy, in addition to new portfolios of international investors in Spain and Portugal.

In 2019 Group collections amounted to €5.6 billion, up by 26% compared to €4.1 billion in 2018, within the same consolidation perimeter. Collections relative to managed loans in Italy amounted to €1,893 billion compared to €1,962 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 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 €363.8 million, up by 56% compared to €233.1 million in 2018, mainly thanks to the contribution from Altamira Asset Management, consolidated in the second half of the year.

Servicing revenues from NPL and REO assets, of €325.9 million, showed an increase of 59% compared with 2018, thanks to the increase in performance fees as well as the greater revenues for transfer indemnities and the growth in real estate assets servicing. The positive performance of basic fees, even though in a context of stability of average fees on the GBV managed, is linked to the growth in managed portfolios and the greater impact of this income stream in southern European markets compared to Italy, an element able to further strengthen future visibility of the Group revenues. A reduction in basic fees was recorded in Italy, in line with the progression of the portfolio under management, which is lower than in 2018 by 4.1%, following recoveries made and portfolio transfers by some customers, the latter in particular concentrated in the first quarter of the year.

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).

Conversely, the contribution of **revenues from ancillary products and minor activities**, mainly originating from income for business information services, and other services strictly linked to the servicing activity, such as due diligence, master and structuring services and legal services, were more significant; they represent 10% of the overall gross revenues for the period and posted an increase of 40% compared with the same period of the previous year. The item includes revenues from the management of the contract with the four systemic Greek banks of around €5.3 million.

(€/000)

	12/31/2019	12/31/2018 RESTATED	Change Amount	Change %
NPL revenues	268,034	205,538	62,496	30%
REO revenues	57,830	-	57,830	n.s.
Co-investment revenues	564	911	(347)	(38)%
Ancillary and other revenues	37,410	26,694	10,716	40%
Gross revenues	**363,838**	**233,143**	**130,695**	**56%**
NPL Outsourcing fees	(19,855)	(18,586)	(1,269)	7%
REO Outsourcing fees	(12,675)	-	(12,675)	n.s.
Ancillary Outsourcing fees	(7,628)	(4,970)	(2,658)	53%
Net revenues	**323,680**	**209,587**	**114,093**	**54%**

Net revenues, of €323.7 million in 2019, increased by 54% compared to €209.6 million in 2018. An increase was recorded in commission expense for the REO servicing linked to the larger managed assets of resulting from the acquisition of Altamira Asset Management, consistent with the business growth. Compared to 2018, NPL commission expense in 2019 recorded an increase of 7%, also due to the inclusion of Altamira in the second half of the year. Considering the same consolidation scope as in 2018, however, a reduction of 24% was recorded with respect to the above mentioned commissions, in line with the objective of reducing the use of outsourcing services and the rationalisation processes implemented in the period.

(€/000)

	12/31/2019	12/31/2018 RESTATED	Change Amount	Change %
Staff expenses	(133,658)	(94,054)	(39,604)	42%
Administrative expenses	(62,256)	(31,764)	(30,492)	96%
o.w. IT	*(20,297)*	*(13,576)*	*(6,721)*	*50%*
o.w. Real Estate	*(5,192)*	*(6,055)*	*863*	*(14)%*
o.w. SG&A	*(36,767)*	*(12,133)*	*(24,634)*	*n.s.*
Operating expenses	**(195,914)**	**(125,818)**	**(70,096)**	**56%**
EBITDA	**127,766**	**83,769**	**43,997**	**53%**
o.w: Non-recurring items included in EBITDA	*(12,676)*	*(2,712)*	*(9,964)*	*n.s.*
o.w: EBITDA excluding non-recurring items	*140,442*	*86,481*	*53,961*	*62%*

With regard to operating expenses, higher personnel costs compared to 2018, of €94.1 million, are linked to the strengthening of staff levels to manage new development initiatives in Greece and Italy (UTP) as well as the impact of the Altamira contribution. It is recalled that the 2018-2020 Business Plan presented in June 2018 includes projects to enhance the efficiency of staff expenses, which are expected to have an effect as from 2020 in particular, in line with expectations.

Administrative costs amounted to €62.3 million, compared with €31.8 million in 2018, an increase mainly in other overheads, where the non-recurring items are concentrated. In addition to the impact of the acquisition of Altamira Asset Management, the higher IT costs at the same consolidation perimeter are linked to software applications development activities.

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

These non-recurring items, which were also included in the 2018 financial year, amounted to €12.7 million, mainly relative to the acquisition of the servicer Altamira Asset Management and in a residual manner to the project for the reorganisation of the Group required within the 2018-2020 Business Plan, which included 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 62%, reaching €140.4 million (€86.5 million in 2018) and a margin of 39% of revenues, up 2 percentage points compared with the comparison period. The growth of EBITDA, in line with the objectives of the Business Plan, introduced in November 2019, is due to the positive trend in revenues, the expansion of international markets characterised by a profitability higher than the Group average and the cost containment measures concluded at the end of the year.

EBITDA inclusive of non-recurring expenses reached €127.8 million (€83.8 million for the restated 2018 results). The restatement of 2018 EBITDA, which was necessary to ensure comparability with the 2019 figures following the transition to IFRS 16, essentially concerned the real estate lease costs.

Group **EBIT** amounted to €77.9 million compared with €79.7 million in 2018 (-2%). The trend reflects greater amortisation of intangible fixed assets, mainly the contract with Santander and Sareb, resulting from the acquisition of Altamira Asset Management. **EBT** amounts to €71.2 million against €79.7 million for the same period in the previous year (-11%), in line with the greater financial expense linked with the loan underwritten for the acquisition of Altamira.

(€/000)

	12/31/2019	12/31/2018 RESTATED	Change Amount	Change %
EBITDA	**127,766**	**83,769**	**43,997**	**53%**
Net write-downs on property, plant, equipment and intangibles	(39,991)	(5,536)	(34,455)	n.s.
Net provisions for risks and charges	(10,732)	(317)	(10,415)	n.s.
Net write-downs of loans	815	861	(46)	(5)%
Net income (losses) from investments	-	919	(919)	(100)%
EBIT	**77,858**	**79,696**	**(1,838)**	**(2)%**
Net income (loss) on financial assets and liabilities measured at fair value	806	418	388	93%
Net financial interest and commissions	(7,459)	(432)	(7,027)	n.s.
EBT	**71,205**	**79,682**	**(8,477)**	**(11)%**

EBT includes non-recurring items of €23.9 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 €40.0 million, with a significant increase compared with 2018 (+€34.5 million). This item mainly includes value adjustments on Altamira servicing contracts, classified in the balance sheets as intangible fixed assets, in line with the peculiarity of the Spanish servicing market that, in the past, has seen the main operators invest in multi-year asset management contracts.
Furthermore, the balance includes the 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. The amount of relevance to the 2019 financial year amounted to €5.7 million, while the restated value for 2018 amounted to €2.8 million. The remainder depreciation and amortisation mainly regards software licenses due to the effect of technology investments made by the Group in the period in order to improve the IT platform.

Net provisions for risks and charges amounted to €10.7 million, a significant increase compared with the 2018 financial year (+€10.4 million). These are mainly provisions for termination incentives paid to employees (€6.5 million) who had joined the Company's plan, in line with the objectives of the 2020-2022 Business Plan.
Net income (losses) of investments in the period makes no contribution to the result for the period, unlike the year-earlier period when it reflected the equity valuation of the investment in BCC Gestione Crediti S.p.A., which was sold in the third quarter of 2018.

(€/000)

	12/31/2019	12/31/2018 RESTATED	Change Amount	Change %
EBT	**71,205**	**79,682**	**(8,477)**	**(11)%**
Income tax for the period	(29,826)	(29,184)	(642)	2%
Profit (Loss) for the period	**41,379**	**50,498**	**(9,119)**	**(18)%**
Profit (loss) attributable to Non-controlling interests	(3,061)	-	(3,061)	n.s.
Profit (loss) attributable to the shareholders of the Parent company	**38,318**	**50,498**	**(12,180)**	**(24)%**
Non-recurring items included in Profit (loss) attributable to the Shareholders of the Parent Company	(31,135)	(1,784)	(29,351)	n.s.
Non-recurring items included in Profit (loss) attributable to Non-controlling interests	(391)	-	(391)	n.s.
Profit (loss) for the period attributable to the Shareholders of the Parent Company excluding non-recurring items	**69,062**	**52,282**	**16,780**	**32%**
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 tax for the period amounted to €29.8 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 rates applied. Income taxes also include the accrued DTA charge for the period, equal to €1.8 million. The tax rate excluding non-recurring items and the DTA charge is 27%, instead of 34% of the same period of 2018.

Excluding non-recurring items, taking account of the associated tax effects, **Profit for the period attributable to the Shareholders of the Parent Company** came to €69.1 million, an increase of 32% compared with 2018. Including non-recurring items, the **Profit for the period attributable to the Shareholders of the Parent Company** came to €38.3 million.

SEGMENT REPORTING

doValue's international expansion, first in Greece and later in the wider southern European market with the acquisition of Altamira, has led to the review of the procedures used by Management to evaluate and analyse the business, moving from a segmentation by customers and business lines to a geographical one.
This breakdown is linked to specific factors of the entities included in each category and the type of market. The geographical regions so identified are: Italy, Greece and Cyprus, and Iberia (Spain and Portugal).
Based on these criteria, the following table reports the revenues and EBITDA of the business segments.

(€/000)

Condensed consolidated income statement	YEAR 2019			
	Italy	Greece & Cyprus	Iberia (Spain & Portugal)	Total
Servicing revenues	195,265	22,226	108,373	325,864
o/w NPL Revenues	*195,265*	*16,125*	*56,644*	*268,034*
o/w REO Revenues	-	*6,101*	*51,729*	*57,830*
UTP Servicing	-	-	-	-
Co-investment revenues	564	-	-	564
Ancillary and other revenues	23,732	5,858	7,820	37,410
Gross Revenues	**219,561**	**28,084**	**116,193**	**363,838**
NPL Outsourcing fees	(14,216)	(544)	(5,095)	(19,855)
REO Outsourcing fees	-	(948)	(11,727)	(12,675)
Ancillary Outsourcing fees	(4,847)	(194)	(2,587)	(7,628)
Net revenues	**200,498**	**26,398**	**96,784**	**323,680**
Staff expenses	(96,507)	(9,033)	(28,118)	(133,658)
Administrative expenses	(38,079)	(5,125)	(19,052)	(62,256)
o/w IT	*(13,484)*	*(1,367)*	*(5,446)*	*(20,297)*
o/w Real Estate	*(3,781)*	*(1,020)*	*(391)*	*(5,192)*
o/w SG&A	*(20,814)*	*(2,738)*	*(13,215)*	*(36,767)*
Operating expenses	***(134,586)***	***(14,158)***	***(47,170)***	***(195,914)***
EBITDA	**65,912**	**12,240**	**49,614**	**127,766**
EBITDA Margin	**30%**	**44%**	**43%**	**35%**
EBITDA excluding non-recurring items	**77,199**	**12,241**	**51,002**	**140,442**
EBITDA Margin excluding non-recurring items	**35%**	**44%**	**44%**	**39%**
Contribution to EBITDA excluding non-recurring items	**55%**	**9%**	**36%**	**100%**

(€/000)

Condensed consolidated income statement	2019 vs 2018			
	Italy	Greece & Cyprus	Iberia (Spain & Portugal)	Total
Servicing revenues				
Year 2019	195,265	22,226	108,373	325,864
Year 2018	205,538	-	-	205,538
Change	*(10,273)*	*22,226*	*108,373*	*120,326*
Co-investment revenues, ancillary and other				
Year 2019	24,296	5,858	7,820	37,974
Year 2018	27,605	-	-	27,605
Change	*(3,309)*	*5,858*	*7,820*	*10,369*
Staff expenses				
Year 2019	(19,063)	(1,686)	(19,409)	(40,158)
Year 2018	(23,556)	-	-	(23,556)
Change	*4,493*	*(1,686)*	*(19,409)*	*(16,602)*
Staff expenses				
Year 2019	(96,507)	(9,033)	(28,118)	(133,658)
Year 2018	(94,054)	-	-	(94,054)
Change	*(2,453)*	*(9,033)*	*(28,118)*	*(39,604)*
Administrative expenses				
Year 2019	(38,079)	(5,125)	(19,052)	(62,256)
Year 2018	(31,764)	-	-	(31,764)
Change	*(6,315)*	*(5,125)*	*(19,052)*	*(30,492)*
EBITDA excluding non-recurring items				
Year 2019	77,199	12,241	51,002	140,442
Year 2018	86,481	-	-	86,481
Change	*(9,282)*	*12,241*	*51,002*	*53,961*
EBITDA Margin excluding non-recurring items				
Year 2019	35%	44%	44%	39%
Year 2018	37%	-	-	37%
Change	*(2%)*	*44%*	*44%*	*2%*

In 2019 the gross revenues amounted to €363.8 million and EBITDA, exclusive of non-recurrent elements, to €140.4 million. The "Italy" segment contributes 55% of the EBITDA, exclusive of non-recurrent elements, of the Group's total, while the EBITDA Margin, exclusive of non-recurrent elements, is essentially similar between the "Greece and Cyprus" and "Iberia" segments (equal to 44%) and equal to 35% for the "Italia" segment, 2% down compared to the figure for 2018 (37%).

0.4

Group **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 Group.
At the end of this Directors' Report on the Group, 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 consolidated balance sheet.

(€/000)

	12/31/2019	12/31/2018	Change	Change %
Cash and liquid securities	128,162	74,630	53,532	72%
Financial assets	48,609	36,139	12,470	35%
Property, plant and equipment	23,904	4,290	19,614	n.s.
Intangible assets	340,879	6,847	334,032	n.s.
Tax assets	98,554	87,356	11,198	13%
Trade receivables	176,991	99,224	77,767	78%
Assets held for sale	10	710	(700)	(99)%
Other assets	13,578	7,840	5,738	73%
TOTAL ASSETS	**830,687**	**317,036**	**513,651**	**n.s.**
Financial liabilities: due to banks	364,627	-	364,627	n.s.
Other financial liabilities	92,036	294	91,742	n.s.
Trade payables	46,969	21,848	25,121	115%
Tax Liabilities	42,347	11,090	31,257	n.s.
Employee Termination Benefits	8,544	9,577	(1,033)	(11)%
Provision for risks and charges	25,669	20,754	4,915	24%
Liabilities held for sale	-	6,532	(6,532)	(100)%
Other liabilities	25,196	14,152	11,044	78%
TOTAL LIABILITIES	**605,388**	**84,247**	**521,141**	**n.s.**
Share capital	41,280	41,280	-	n.s.
Reserves	145,885	140,915	4,970	4%
Treasury shares	(184)	(246)	62	(25)%
Profit (loss) for the period attributable to the Shareholders of the Parent Company	38,318	50,840	(12,522)	(25)%
NET EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY	**225,299**	**232,789**	**(7,490)**	**(3)%**
TOTAL LIABILITIES AND NET EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY	**830,687**	**317,036**	**513,651**	**n.s.**
TOTAL LIABILITIES AND NET EQUITY	**830,687**	**317,036**	**513,651**	**n.s.**

The inclusion of Altamira in the doValue Group has had a significant incidence on the balances at the end of the period: the assets total moves from €317.0 million to €830.7 million, while liabilities were €84.2 million at the end of 2018 and up to €605.4 million at the end of 2019.
As illustrated in the specific section of the Notes to the Consolidated Financial Statements on the operations of corporate consolidation, the values attributable to the Altamira Group companies at the date of consolidation amounted to €400.7 million of total assets and €261.1 million of total liabilities, to which the amount of financing received from credit institutions for the acquisition of the same and for the refinancing of its existing borrowing must be added, for a total cash-out of €356.4 million.

In detail, the items which felt the most impact from the Altamira contribution in the balances as at December 31, 2019 and which clearly explain the change with respect to the previous period are:

- **cash and cash equivalents** of €45.7 million;
- **intangible fixed assets** which include software, trademarks and servicing contracts of €221.9 million, to which a goodwill of €137.5 million is added;
- **loans and trade payables** respectively for €82.4 million and €24.2 million.

Financial assets rose from €36.1 million to €48.6 million, an increase of €12.5 million, accounted for almost entirely by the short-term, opportunistic and non-recurring investment in a non-performing loans portfolio. The item Debt securities includes doValue's limited activity of co-investment in notes issued by securitisation vehicles of NPL portfolios managed exclusively by the Parent Company in the capacity of special servicer.

The composition of financial assets is reported in the following table.

(€/000)

	12/31/2019	12/31/2018	Change Amount	Change %
At fair value through profit or loss	**33,588**	**34,346**	**(758)**	**(2)%**
Debt securities	4,619	5,337	(718)	(13)%
CIUs	28,923	28,963	(40)	(0)%
Equity instruments	46	46	-	n.s.
At amortized cost	**15,021**	**1,793**	**13,228**	**n.s.**
L&R with banks other than current accounts and demand deposits	86	1	85	n.s.
L&R with customers	14,935	1,792	13,143	n.s.
TOTAL	**48,609**	**36,139**	**12,470**	**35%**

The increase of €19.6 million in **property, plant and equipment** reflects both the acquisition of Altamira in the amount of about €7.6 million and the recognition of rights of use deriving from initial application of IFRS 16, as described in the **Accounting Policies section**.

Tax assets as at December 31, 2019 break down as follows:

(€/000)

	12/31/2019	12/31/2018	Change Amount	Change %
Current tax assets	**1,141**	**33**	**1,108**	**n.s.**
Paid in advance	1,812	192	1,620	n.s.
Tax liabilities	(671)	(159)	(512)	n.s.
Deferred tax assets	**90,740**	**81,406**	**9,334**	**11%**
Write-down on loans	49,329	55,407	(6,078)	(11)%
Tax losses carried forward in the future	13,082	19,397	(6,315)	(33)%
Property, plants and equipment / Intangible assets	22,637	168	22,469	n.s.
Other assets / liabilities	112	39	73	n.s.
Provisions	5,580	6,395	(815)	(13)%
Other tax receivables	**6,673**	**5,917**	**756**	**13%**
TOTAL	**98,554**	**87,356**	**11,198**	**13%**

Deferred tax assets posted an overall decrease of €9.3 million, whose most significant changes reflect 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 the Parent Company, doValue, mainly following the rate change produced by the "debanking" process. For more information please refer to Note 4 of the Notes on the Consolidated Financial Statements;
- €29.6 million of new DTAs contributed by the new subsidiary Altamira, deriving from temporary differences in the deductibility of depreciation and amortisation of non-current assets as well as the impairment of intangible fixed assets carried out by the company before the acquisition;
- €10.8 million decrease from the reversal of the DTA deriving from previous tax losses against the taxable amount for the period of the Parent Company.

The breakdown of **tax liabilities** is shown below:

(€/000)

	12/31/2019	12/31/2018	Change Amount	Change %
Taxes for the period	7,853	8,168	(315)	(4)%
Deferred tax liabilities	24,886	21	24,865	n.s.
Other tax payables	9,608	2,901	6,707	n.s.
TOTAL	**42,347**	**11,090**	**31,257**	**n.s.**

The amount of **deferred tax liabilities** shown in the table below refers to the effect deriving from the Altamira business combination, and in particular from the purchase price allocation process as a tax effect of the fair value adjustments made to the initial consolidation values of the acquiree.

Financial liabilities – due to banks of €364.6 million as at December 31, 2019 include the residual debt 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	18,027	-	18,027	n.s.
Earn-out	39,811	-	39,811	n.s.
Put option on non-controlling interests	33,194	-	33,194	n.s.
Hedging derivatives	367	-	367	n.s.
Other financial liabilities	637	294	343	117%
TOTAL	**92,036**	**294**	**91,742**	**n.s.**

Lease liabilities include the discounted value of future lease payments, in accordance with the provisions of IFRS 16, which entered force as from January 1, 2019.
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, at the end of December 2020.
The liability for "Put option on non-controlling interests" regards the option for the purchase of residual non-controlling interests expiring in future years.
All the liabilities indicated were discounted as at December 31, 2019.

Provisions for risks and charges show an increase of €4.9 million compared to the balances at the end of 2018: this mainly depends on the Altamira contribution for new provisions, set in view of a recent dispute arisen with a customer on the interpretation of a few contractual clauses, in addition to net provisions for a total of €1.7 million made by the Parent Company doValue.

(€/000)

	12/31/2019	12/31/2018	Change Amount	Change %
Legal disputes	14,035	7,421	6,614	89%
Staff expenses	7,359	9,627	(2,268)	(24)%
Other	4,275	3,706	569	15%
TOTAL	**25,669**	**20,754**	**4,915**	**24%**

The item **Other liabilities** as at December 31, 2019 amounted to €25.2 million: the increase of €11 million is also in this case mainly due to the consolidation of Altamira within the company's perimeter and to other payables to employees, including €1.7 million for non-recurrent charges relative to the termination incentives.

NET WORKING CAPITAL

(€/000)

	12/31/2019	12/31/2018
Trade receivables	176,991	99,224
Trade payables	(46,969)	(21,848)
TOTAL	**130,022**	**77,376**

The figure for the period of €130.0 million is significantly affected by the inclusion of Altamira, which significantly contributes €58.2 million to the balance (€82.4 million of trade receivables and €24.2 million of trade payables).
Excluding Altamira, net working capital would amount to €71.8 million, a reduction of 7% compared with December 31, 2018.

NET FINANCIAL POSITION

(€/000)

		12/31/2019	12/31/2018
A	Cash	128,162	73,631
B	Liquid securities	-	999
C	**Liquidity (A)+(B)**	**128,162**	**74,630**
D	Current bank debts	(79,683)	-
E	Deposits from customers	-	(6,532)
F	**Net current financial position (C)+(D)+(E)**	**48,479**	**68,098**
G	Non-current bank debts	(284,944)	-
H	**Net financial position (F)+(G)**	**(236,465)**	**68,098**

Net financial position as at December 31, 2019, as shown in detail, reflects the effect of the outlay linked to the financing of the Altamira acquisition (€415 million) and the payment of dividend income of €36.3 million.

OPERATING CASH FLOW

The following table shows the cash generating capacity for the period compared with the previous period.

(€/000)

	12/31/2019	12/31/2018
EBITDA	127,766	81,293
Capex	(8,352)	(5,408)
EBITDA-Capex	**119,414**	**75,885**
as % of EBITDA	93%	93%
Adjustment for accrual on share-based incentive system payments	5,926	5,814
Changes in NWC (Net Working Capital)	22,397	890
Changes in other assets/liabilities	(17,555)	(6,268)
Operating Cash Flow	**130,182**	**76,321**
Tax paid (IRES/IRAP)	(12,370)	(10,480)
Free Cash Flow	**117,812**	**65,841**
(Investments)/divestments in financial assets	(23,233)	(8,051)
Equity (investments)/divestments	(356,878)	2,610
Dividend paid	(42,264)	(30,907)
Net Cash Flow of the period	**(304,563)**	**29,493**
Net financial Position - Beginning of period	68,098	38,605
Net financial Position - End of period	(236,465)	68,098
Change in Net Financial Position	**(304,563)**	**29,493**

The Operating Cash Flow shows a significant improvement, moving from €76.1 million in 2018 to €130.2 million in 2019, thanks to the growth of the EBITDA, the positive performance of Net Working Capital and in spite of greater investments.

The Free Cash Flow also shows significant growth, to €117.8 million in 2019 (99% of the E) compared to €65.7 million in 2018 (87% of the EBITDA), for the limited outlay relative to taxes thanks to the use of DTAs.

Equity investments include the cash-out effect connected with the acquisition of Altamira, which is discussed in greater detail in the specific section of the Notes on the Consolidated Financial Statements on combination transactions relating to enterprises and business units.

0.5

Significant 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 December 19, 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 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.

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

On October 29, 2019 the Bank of Italy expressed a favourable opinion on the request made in June 2019 by Italfondiario, authorising it to extent its operations also to the provision of loans to the public and the provision of payment services through the establishment of a Dedicated Asset.

Pro-forma reclassified income statement for the 2019 and 2018 periods

The following is a pro-forma disclosure representing the significant impacts of the acquisition of the Altamira group on the reclassified consolidated income statement of the doValue Group as if the transaction had taken effect on January 1,2019 (for the pro-forma figures for 2019) and January 1, 2018 (for the pro-forma figures for 2018), instead of from the end of June 2019.

In order to interpret the pro-forma consolidated information data relative to the 2019 and 2018 financial years, it is necessary to bear in mind that:

a. as these are representations constructed on assumptions, if the acquisition had actually been carried out at the reference date for the preparation of the pro-forma consolidated income statement, the resulting accounting effects would not necessarily have been the same as that presented in the pro-forma data below;
b. the pro-forma adjustments made represent the significant financial effects directly connected with the acquisition;
c. the pro-forma data have been prepared so as to represent only the objectively measurable effects deriving from the acquisition and, therefore, do not take account of potential effects relating to changes in management policies or operational decisions consequent on the execution of those policies;
d. the pro-forma consolidated income statement does not reflect prospective data and is not intended to represent in any way a forecast of the future performance of the doValue Group after the acquisition and, therefore, should not be used in manner;
e. at the reference date for the preparation of the pro-forma consolidated income statement, there were no direct participatory links between the companies involved in the acquisition, nor were they "under common control" pursuant to IFRS 3;
f. the values calculated for the preparation of the "pro-forma adjustments" are consistent with the accounting representation of the transaction presented in detail in the section on business combinations;
g. the accounting data of the Altamira group companies used have been prepared using accounting policies and measurement criteria for the preparation of the macro-aggregates of the reclassified income statement that are consistent with those applied by the doValue Group following a process of standardisation of the criteria and principles for the preparation and presentation of financial information (GAAP analysis).

2019 - 2018

Pro-forma income statement for 2019

The statement shows:

1. in the column "doValue – 2019 consolidated income statement", the figures for 2019 for the doValue Group net of the contribution of the second half of the Altamira group, integrated in the column at point 2);
2. in the column "Altamira – 2019 consolidated income statement" the figures for 2019 from the sub-consolidated financial statements of the Altamira group at December 31, 2019 prepared in accordance with local accounting standards, i.e. Spanish GAAP and reclassified to take account of the reclassified income statement format adopted by the doValue Group;
3. in the column "Impact of renewed contractual arrangements with Santander and related tax impact", the financial impact of the renegotiation of the contracts in June 2018. Specifically, for these contracts the method of accounting for revenues differs between the sub-consolidated accounts of the Altamira group and the consolidated financial statements of the doValue Group;
4. the column "PPA adjustments and other minor adjustments and related tax impact" mainly includes the adjustments to intangible assets, amortisation and impairment of the Altamira group (€119.6 million) deriving from the measurement at fair value of its assets and liabilities following the Purchase Price Allocation process, as described in more detail in the section on business combinations. Note that the measurement at fair value of the Altamira assets and liabilities acquired by the doValue Group has not yet been finalised since, at the date of approval of this document, not all of the related information is available yet. In this regard, note that this approach complies with the provisions of paragraph 45 of IFRS 3 - Business Combinations, which governs the methods for accounting for business combinations. In particular, the accounting standard in question provides for a "measurement period" during which the company must make a preliminary initial accounting for the acquisition and complete the measurement at a later time but in any case within 12 months of the acquisition date. Therefore, within 12 months of the date of the closing of the acquisition, the value of the net assets acquired could change compared with the provisional allocation, with a corresponding reduction or increase in the value of the goodwill. Any change in the value of the net assets acquired and goodwill would consequently lead to the recalculation of the depreciation and amortisation recognised in the periods ended after the closing date. This column also reports minor adjustments including: (i) the adjustment for operating expenses incurred in 2019 for the completion of the acquisition by doValue (€9.1 million); (ii) the adjustments connected with ensuring compliance with international accounting standards (IAS/IFRS) of the sub-consolidated financial statements of the Altamira group to take into account the effects of the GAAP analysis referred to in point g) of the introductory paragraph above (€9.8 million); and (iii) the elimination of certain non-recurring costs and income related to the acquisition;
5. in the column "doValue 2019 consolidated income statement pro-forma", the pro-forma reclassified consolidated performance figures for 2019 following the acquisition.

(€/000)

	doValue 2019 consolidated income statement	Pro-forma adjustments			doValue 2019 consolidated income statement - pro-forma
		Altamira 2019 consolidated income statement	Impact of renewed contractual arrangements with Santander and related tax	PPA adjustments and other minor adjustments and related tax impact	
	(1)	(2)	(3)	(4)	(5)
Servicing Revenue	195,265	283,164	(40,275)	-	438,154
o/w NPL Revenues	*195,265*	*151,599*	*(17,784)*	-	*329,080*
o/w REO Revenues	-	*131,565*	*(22,491)*	-	*109,074*
Co-investment, ancillary and other revenues	29,638	18,151	(601)	-	47,188
Gross Revenues	**224,903**	**301,315**	**(40,876)**	-	**485,342**
Outsourcing fees	(19,063)	(42,122)	-	-	(61,185)
Net revenues	**205,840**	**259,193**	**(40,876)**	-	**424,157**
Staff Costs	(99,031)	(79,263)	-	10,381	(167,913)
Operating Costs	(40,417)	(47,386)	-	12,162	(75,641)
Total Costs	**(139,448)**	**(126,649)**	-	**22,543**	**(243,554)**
EBITDA	**66,392**	**132,544**	**(40,876)**	**22,543**	**180,603**
Non-recurring items included in EBITDA	(11,291)	(12,566)	-	19,498	(4,359)
EBITDA excluding non-recurring items	**77,683**	**145,110**	**(40,876)**	**3,045**	**184,962**
Net writedowns on property, plant, equipment and intangibles	(7,818)	(162,866)	-	119,592	(51,092)
Net Provisions for risks and charges	(7,970)	(10,932)	-	4,645	(14,257)
Net Write-downs of loans	815	-	-	-	815
Net income (losses) from investments	-	-	-	-	-
EBIT	**51,419**	**(41,254)**	**(40,876)**	**146,780**	**116,069**
Net income (loss) on financial assets and liabilities measured at fair value	(7,165)	(20,854)	5,035	4,113	(18,871)
Net financial interest and commission	806	-	-	-	806
EBT	**45,060**	**(62,108)**	**(35,841)**	**150,893**	**98,004**
Non-recurring items included in EBT	(20,474)	(72,538)	-	71,703	(21,309)
EBT excluding non-recurring items	**65,534**	**10,430**	**(35,841)**	**79,190**	**119,313**
Income tax for the period	(24,820)	12,597	8,961	(35,444)	(38,706)
Profit (loss) from group of assets sold and held for sale	-	-	-	-	-
Net Profit (Loss) for the period	**20,240**	**(49,511)**	**(26,880)**	**115,449**	**59,298**
Non-recurring items included in Net Profit (Loss) for the period	(28,529)	(54,403)	-	56,301	(26,631)
Net Profit (Loss) for the period excluding non-recurring items	**48,769**	**4,892**	**(26,880)**	**59,148**	**85,929**
Profit (loss) for the period attributable to the shareholders of the parent com	20,240	(42,084)	(22,848)	106,449	61,757
Profit (loss) for the period attributable to Non-controlling interests	-	(7,427)	(4,032)	9,000	(2,459)

Pro-forma income statement for 2018

The statement shows:

1. in the column "doValue – 2018 consolidated income statement", the figures for 2018 for the doValue Group;
2. in the column "Altamira – 2018 consolidated income statement" the figures for 2018 from the sub-consolidated financial statements of the Altamira group at December 31, 2018 prepared in accordance with local accounting standards, i.e. Spanish GAAP and reclassified to take account of the reclassified income statement format adopted by the doValue Group;
3. in the column "Impact of renewed contractual arrangements with Santander and related tax impact", the financial impact of the renegotiation of the contracts in June 2018. Specifically, for these contracts the method of accounting for revenues differs between the sub-consolidated accounts of the Altamira group and the consolidated financial statements of the doValue Group;
4. the column "PPA adjustments and other minor adjustments and related tax impact" mainly includes the adjustments to the amortisation of the intangible assets of the Altamira group (€54.0 million) deriving from the measurement at fair value of its assets and liabilities following the purchase price allocation process. This column also reports minor adjustments including: (i) the adjustments connected with ensuring compliance with international accounting standards (IAS/IFRS) of the sub-consolidated financial statements of the Altamira group to take into account the effects of the GAAP analysis referred to in point g) of the introductory paragraph above (€11.6 million); and (ii) the reversal of certain non-recurring costs and income related to the acquisition;
5. in the column "doValue 2018 consolidated income statement pro-forma", the pro-forma reclassified consolidated performance figures for 2018 following the acquisition.

(€/000)

	doValue 2018 consolidated income statement	Pro-forma adjustments: Altamira 2018 consolidated income statement	Pro-forma adjustments: Impact of renewed contractual arrangements with Santander and related tax	Pro-forma adjustments: PPA adjustments and other minor adjustments and related tax impact	doValue 2018 consolidated income statement - pro-forma
	(1)	(2)	(3)	(4)	(5)
Servicing Revenue	205,539	261,807	(36,600)	-	430,746
o/w NPL Revenues	*205,539*	*150,616*	*(20,330)*	-	*335,825*
o/w REO Revenues	-	*111,191*	*(16,271)*	-	*94,920*
Co-investment, ancillary and other revenues	27,964	156,804	(122,437)	-	62,331
Gross Revenues	**233,503**	**418,611**	**(159,037)**	-	**493,077**
Outsourcing fees	(23,909)	(93,652)	50,000	-	(67,561)
Net revenues	**209,594**	**324,959**	**(109,037)**	-	**425,516**
Staff Costs	(94,054)	(76,143)	-	2,490	(167,707)
Operating Costs	(34,246)	(44,025)	-	-	(78,271)
Total Costs	**(128,300)**	**(120,168)**	-	**2,490**	**(245,978)**
EBITDA	**81,294**	**204,791**	**(109,037)**	**2,490**	**179,538**
Non-recurring items included in EBITDA	(2,712)	67,153	(70,000)	2,490	(3,069)
EBITDA excluding non-recurring items	**84,006**	**137,638**	**(39,037)**	-	**182,606**
Net writedowns on property, plant, equipment and intangibles	(2,750)	(129,608)	-	53,969	(78,389)
Net Provisions for risks and charges	(318)	(198)	-	(819)	(1,335)
Net Write-downs of loans	862	-	-	-	862
Net income (losses) from investments	917	12	-	-	929
EBIT	**80,005**	**74,997**	**(109,037)**	**55,639**	**101,604**
Net income (loss) on financial assets and liabilities measured at fair value	417	-	-	(185)	232
Net financial interest and commission	(219)	(26,494)	2,824	4,733	(19,156)
EBT	**80,203**	**48,503**	**(106,213)**	**60,188**	**82,680**
Non-recurring items included in EBT	(2,712)	67,153	(70,000)	2,490	(3,069)
EBT excluding non-recurring items	**82,915**	**(18,650)**	**(36,213)**	**57,698**	**85,749**
Income tax for the period	(29,362)	(9,858)	26,553	(14,424)	(27,091)
Profit (loss) from group of assets sold and held for sale	-	-	-	-	-
Net Profit (Loss) for the period	**50,841**	**38,645**	**(79,660)**	**45,763**	**55,589**
Non-recurring items included in Net Profit (Loss) for the period	(1,784)	50,365	(52,500)	(623)	(4,541)
Net Profit (Loss) for the period excluding non-recurring items	**52,625**	**(11,720)**	**(27,160)**	**46,386**	**60,131**
Attributable to the parent company	50,841	32,848	(67,711)	44,630	60,608
Attributable to the minorities	-	5,797	(11,949)	1,133	(5,019)

Segment Reporting on 2019 pro-forma

(€/000)

Condensed consolidated income statement	YEAR 2019: Italy	YEAR 2019: Greece & Cyprus	YEAR 2019: Iberia (Spain & Portugal)	YEAR 2019: Total
Servicing revenues	195,265	39,969	202,920	438,154
o/w NPL Revenues	*195,265*	*31,543*	*102,272*	*329,080*
o/w REO Revenues	-	*8,426*	*100,648*	*109,074*
Ancillary and other revenues	24,296	5,995	16,897	47,188
Gross Revenues	**219,561**	**45,964**	**219,817**	**485,342**
Outsourcing fees	(19,063)	(2,642)	(39,480)	(61,185)
Net revenues	**200,498**	**43,322**	**180,337**	**424,157**
Staff expenses	(96,507)	(15,172)	(56,234)	(167,913)
Administrative expenses	(28,966)	(7,801)	(38,874)	(75,641)
Operating expenses	***(125,473)***	***(22,973)***	***(95,108)***	***(243,554)***
EBITDA	**75,025**	**20,349**	**85,229**	**180,603**
EBITDA Margin	**34%**	**44%**	**39%**	**37%**
EBITDA excluding non-recurring items	**77,199**	**20,350**	**87,413**	**184,962**
EBITDA Margin excluding non-recurring items	**35%**	**44%**	**40%**	**38%**
Contribution to EBITDA excluding non-recurring items	**42%**	**11%**	**47%**	**100%**

On a pro-forma basis the Group generated an EBITDA for the period equal to €180.6 million. Excluding non-recurring expenses for the period, equal to €4.4 million, EBITDA is equal to €185.0 million, generated for 42% by the "Italy" segment, for 11% by the "Greece and Cyprus" segment and for 47% by the "Iberia" segment. EBITDA margin excluding non-recurrent elements is equal to 38%.

0.6

Significant events after the end of the period

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 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 Group, 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. In particular regarding the intangible assets in the balance sheet, related to the acquisition of Altamira Asset Management, the current internal sensitivity analysis confirms that, even in the event of a contraction of profitability expectations in the short term, the sustainability of the assets in the balance sheet is confirmed and therefore there is no evidence today that would point to a possible loss in value.

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 the operational continuity of doValue's operations in all its markets, the Group 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 Group'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 schemes, 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%, and in Spain, for more than +100% also considering the inflows from Banco Popular.
Lastly, it is deemed that the doValue's business model can respond to the different phases of the economic cycle with the expansion of GBV under management or collections, respectively in a contraction or expansion phase of the same cycle, in accordance with the Group'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

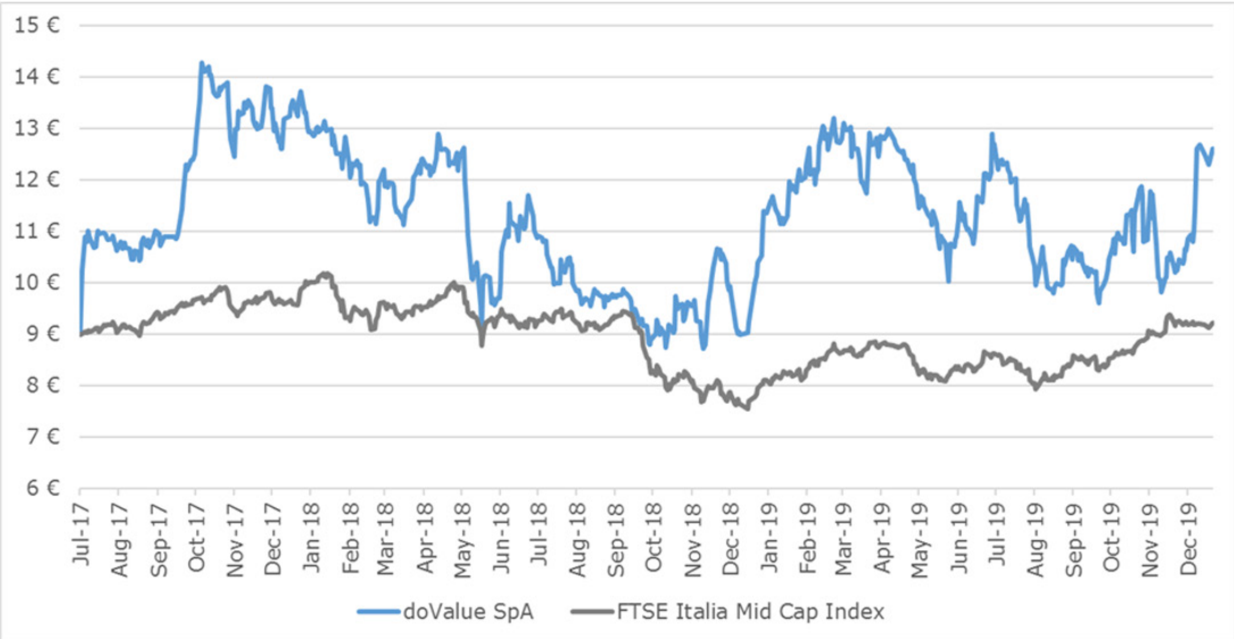
Main **risks** and **uncertainties**

In consideration of the activities it performs and the results achieved, the financial position of the doValue Group is adequately scaled to meet its needs.
The financial policy pursued is aimed at fostering the stability of the Group, 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. The Group 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 the end of 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	7/14/2017
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

As at December 31, 2019, 25.05% of the shares of the Parent Company doValue 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 the Parent Company.
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 the Group. Accordingly, the strategic and management policies of the doValue Group 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.
The Parent Company 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.

CONSOLIDATED 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.
The universe of related parties of the Group 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 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 non 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 balance sheet of the Group;
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 Group'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.

STATEMENT RECONCILING THE RECLASSIFIED CONSOLIDATED INCOME STATEMENT AND THE STATUTORY CONSOLIDATED INCOME STATEMENT

(€/000)

	12/31/2019	12/31/2018 RESTATED
NPL revenues	**268,034**	**205,538**
o.w. Revenue from contracts with customers	266,941	205,538
o.w. Other revenue	1,093	-
REO revenues	**57,830**	**-**
o.w. Revenue from contracts with customers	57,299	-
o.w. Other revenue	531	-
Co-investment revenues	**564**	**911**
o.w. Financial (expense)/income	564	911
Ancillary and other revenues	**37,410**	**26,694**
o.w. Financial (expense)/income	26	97
o.w. Revenue from contracts with customers	6,558	996
o.w. Other revenue	31,133	25,667
o.w. Costs for services rendered	(597)	(354)
o.w. Other operating (expense)/income	290	288
Gross revenues	**363,838**	**233,143**
NPL Outsourcing fees	**(19,855)**	**(18,586)**
o.w. Costs for services rendered	(19,861)	(18,090)
o.w. Administrative expenses	-	(62)
o.w. Other operating (expense)/income	-	(434)
o.w. Other revenue	6	-
REO Outsourcing fees	**(12,675)**	**-**
o.w. Costs for services rendered	(12,675)	-
Ancillary Outsourcing fees	**(7,628)**	**(4,970)**
o.w. Costs for services rendered	(2,781)	-
o.w. Administrative expenses	(4,438)	(5,070)
o.w. Other operating (expense)/income	(409)	100
Net revenues	**323,680**	**209,587**
Staff expenses	**(133,658)**	**(94,054)**
o.w. Personnel expenses	(133,675)	(94,054)
o.w. Other revenue	17	-
Administrative expenses	**(62,256)**	**(31,764)**
o.w. Personnel expenses	**(3,686)**	**(803)**
o.w. Personnel expenses - o.w. SG&A	(3,686)	(803)
o.w. Administrative expenses	**(59,819)**	**(33,295)**
o.w. Administrative expenses - o.w. IT	(20,297)	(13,576)
o.w. Administrative expenses - o.w. Real Estate	(5,163)	(6,014)
o.w. Administrative expenses - o.w. SG&A	(34,359)	(13,705)
o.w. Other operating (expense)/income	**(129)**	**(76)**
o.w. Other operating (expense)/income - o.w. Real Estate	(29)	(41)
o.w. Other operating (expense)/income – o.w. SG&A	(100)	(35)
o.w. Other revenue	**1,413**	**2,410**
o.w. Other revenue - o.w. SG&A	1,413	2,410
o.w. Costs for services rendered	**(35)**	**-**
o.w. Costs for services rendered - o.w. SG&A	(35)	-
Total "o.w. IT"	*(20,297)*	*(13,576)*
Total "o.w. Real Estate"	*(5,192)*	*(6,055)*
Total "o.w. SG&A"	*(36,767)*	*(12,133)*
Operating expenses	**(195,914)**	**(125,818)**
EBITDA	**127,766**	**83,769**
EBITDA margin	**35%**	**36%**

CONT.

Non-recurring items included in EBITDA	(12,676)	(2,712)
EBITDA excluding non-recurring items	140,442	86,481
EBITDA Margin excluding non-recurring items	39%	37%
Net writedowns on property, plant, equipment and intangibles	**(39,991)**	**(5,536)**
o.w. Depreciation, amortisation and impairment	(39,991)	(5,536)
Net Provisions for risks and charges	**(10,732)**	**(317)**
o.w. Personnel expenses	(7,193)	(2,235)
Provisions for risks and charges	(2,439)	2,044
o.w. Other operating (expense)/income	(369)	(126)
o.w. Depreciation, amortisation and impairment	(731)	-
Net Writedowns of loans	**815**	**861**
o.w. Depreciation, amortisation and impairment	(64)	(47)
o.w. Other revenue	879	908
Profit (loss) from equity investments	**-**	**919**
o.w. Profit (loss) of equity investments	-	919
EBIT	**77,858**	**79,696**
Net income (loss) on financial assets and liabilities measured at fair value	**806**	**418**
o.w. Financial (expense)/income	806	418
Financial interest and commissions	**(7,459)**	**(432)**
o.w. Financial (expense)/income	(7,371)	(226)
o.w. Costs for services rendered	(88)	(206)
EBT	**71,205**	**79,682**
Non-recurring items included in EBT	(23,949)	-
EBT excluding non-recurring items	95,154	79,682
Income tax for the period	**(29,826)**	**(29,184)**
o.w. Administrative expenses	(1,821)	(1,913)
Income tax expense	(28,005)	(27,271)
PROFIT (LOSS) FOR THE PERIOD	**41,379**	**50,498**
Profit (loss) for the period attributable to Non-controlling interests	(3,061)	-
PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY	**38,318**	**50,498**

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

(€/000)

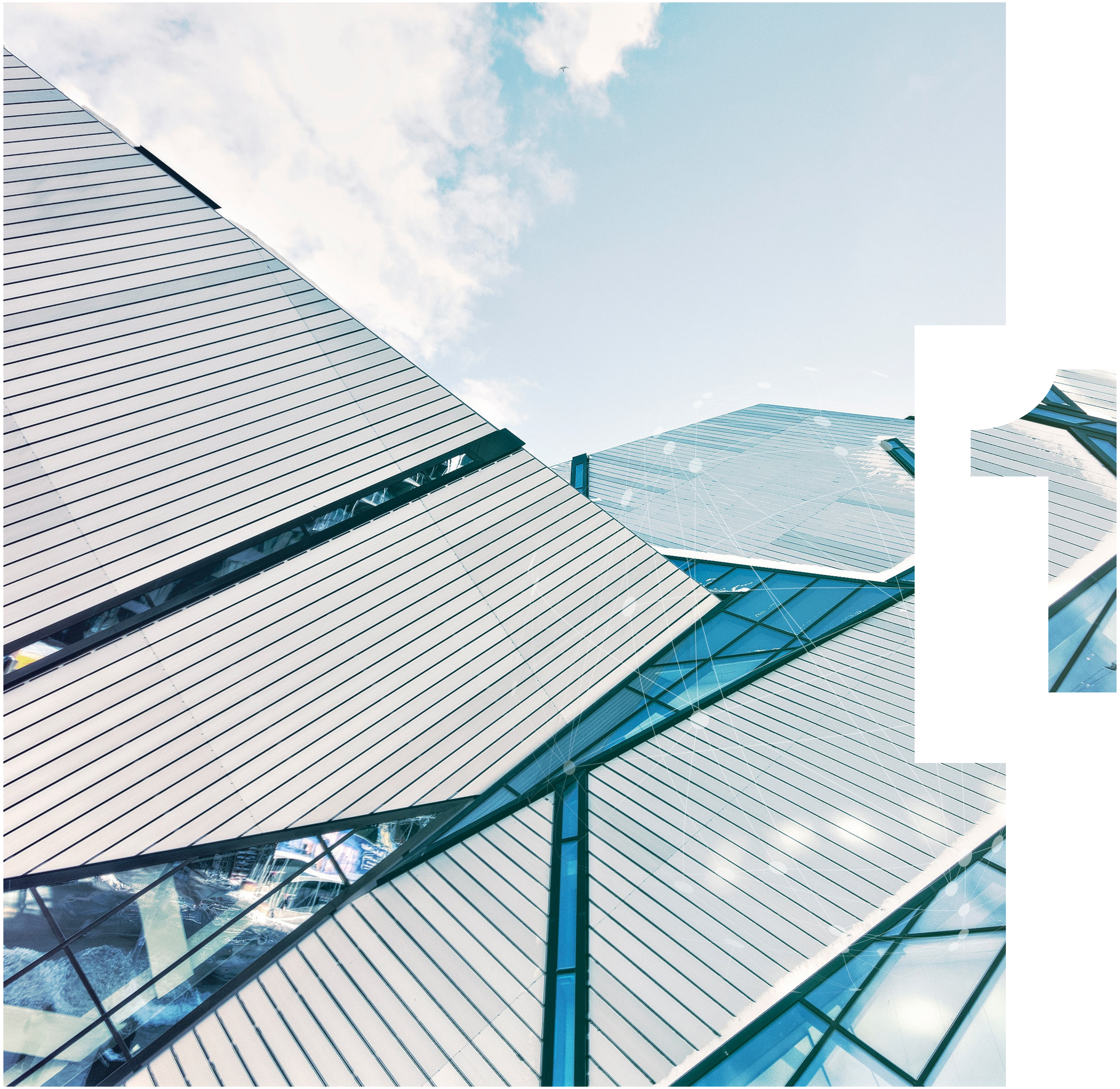
	12/31/2019	12/31/2018
Cash and liquid securities	**128,162**	**74,630**
Cash and cash equivalents	128,162	73,631
Current financial assets	-	999
Financial assets	**48,609**	**36,139**
Non-current financial assets	48,609	36,139
Property, plant and equipment	**23,904**	**4,290**
Property, plant and equipment	23,767	3,726
Inventories	137	564
Intangible assets	**340,879**	**6,847**
Intangible assets	340,879	6,847
Tax assets	**98,554**	**87,356**
Deferred tax assets	90,740	81,407
Other current assets	6,673	5,916
Tax assets	1,141	33
Trade receivables	**176,991**	**99,224**
Trade receivables	176,991	99,224
Assets held for sale	**10**	**710**
Assets held for sale	10	710
Other assets	**13,578**	**7,840**
Other current assets	13,472	7,741
Other non-current assets	106	99
TOTAL ASSETS	**830,687**	**317,036**

CONT.

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	**92,036**	**294**
Loans and other financing non-current	637	165
Loans and other financing current	-	129
Other non-current financial liabilities	43,923	-
Other current financial liabilities	47,476	-
Trade payables	**46,969**	**21,848**
Trade payables	46,969	21,848
Tax Liabilities	**42,347**	**11,090**
Tax payables	17,461	11,069
Deferred tax liabilities	24,886	21
Employee Termination Benefits	**8,544**	**9,577**
Employee benefits	8,544	9,577
Provision for risks and charges	**25,669**	**20,754**
Provisions for risks and charges	25,669	20,754
Liabilities held for sale	**-**	**6,532**
Liabilities associated with assets held for sale	-	6,532
Other liabilities	**25,196**	**14,152**
Other current liabilities	25,196	14,152
TOTAL LIABILITIES	**605,388**	**84,247**
Share capital	**41,280**	**41,280**
Share capital	41,280	41,280
Reserves	**145,885**	**140,915**
Valuation reserve	(13)	593
Other reserves	145,898	140,322
Treasury shares	**(184)**	**(246)**
Treasury shares	(184)	(246)
Profit (loss) attributable to the Shareholders of the Parent Company	**38,318**	**50,840**
Profit (loss) attributable to the Shareholders of the Parent Company	38,318	50,840
NET EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY	**225,299**	**232,789**
TOTAL LIABILITIES AND NET EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY	**830,687**	**317,036**
TOTAL LIABILITIES AND NET EQUITY	**830,687**	**317,036**

CONSOLIDATED FINANCIAL STATEMENTS

AT DECEMBER 31, 2019



CONSOLIDATED **FINANCIAL STATEMENTS**

CONSOLIDATED BALANCE SHEET

(€/000)

	NOTE	12/31/2019	12/31/2018
NON-CURRENT ASSETS:			
Intangible assets	1	340,879	6,847
Property, plant and equipment	2	23,767	3,726
Non-current financial assets	3	48,609	36,139
Deferred tax assets	4	90,740	81,406
Other non current assets	5	106	99
Total non-current assets		**504,101**	**128,217**
CURRENT ASSETS:			
Inventories	6	137	564
Current financial assets	3	-	999
Trade receivables	7	176,991	99,224
Tax assets	8	1,141	33
Other current assets	5	20,145	13,658
Cash and cash equivalents	9	128,162	73,631
Total current assets		**326,576**	**188,109**
Assets held for sale	**10**	**10**	**710**
TOTAL ASSETS		**830,687**	**317,036**
SHAREHOLDERS' EQUITY:			
Share capital	11	41,280	41,280
Valuation reserve		(13)	591
Other reserves	11	145,898	140,324
Treasury shares	11	(184)	(246)
Profit (loss) for the period attributable to the Shareholders of the		38,318	50,840
Net Equity attributable to the Shareholders of the Parent		**225,299**	**232,789**
Net Equity attributable to Non-controlling interests		-	-
TOTAL NET EQUITY		**225,299**	**232,789**
NON-CURRENT LIABILITIES:			
Loans and other financing	12	285,581	165
Other non-current financial liabilities	13	43,922	-
Employee benefits	14	8,544	9,577
Provisions for risks and charges	15	25,669	20,754
Deferred tax liabilities	4	24,886	21
Total non-current liabilities		**388,602**	**30,517**
CURRENT LIABILITIES:			
Loans and other financing	12	79,683	129
Other current financial liabilities	13	47,477	-
Trade payables	16	46,969	21,848
Tax payables	8	17,461	11,069
Other current liabilities	17	25,196	14,152
Total current liabilities		**216,786**	**47,198**
Liabilities associated with assets held for sale	**10**	-	**6,532**
TOTAL LIABILITIES		**605,388**	**84,247**
TOTAL NET EQUITY AND LIABILITIES		**830,687**	**317,036**

CONSOLIDATED INCOME STATEMENT

(€/000)

	NOTE	12/31/2019	12/31/2018
Revenue from contracts with customers	20	330,796	206,535
Other revenue	21	35,071	28,983
Total revenue		**365,867**	**235,518**
Costs for services rendered	22	(36,037)	(18,649)
Personnel expenses	23	(144,554)	(97,092)
Administrative expenses	24	(66,075)	(42,821)
Other operating (expense)/income	25	(617)	(247)
Depreciation, amortisation and impairment	26	(40,786)	(2,796)
Provisions for risks and charges	27	(2,439)	2,046
Total costs		**(290,508)**	**(159,559)**
OPERATING INCOME		**75,359**	**75,959**
Financial (Expense)/Income	28	(5,975)	1,411
Profit (loss) from equity investments	29	-	919
PROFIT (LOSS) BEFORE TAX		**69,384**	**78,289**
Income tax expense	30	(28,005)	(27,449)
NET PROFIT (LOSS) FROM CONTINUING OPERATIONS		**41,379**	**50,840**
Net income (expense) of assets held for sale		-	-
PROFIT (LOSS) FOR THE PERIOD		**41,379**	**50,840**
o.w. Profit (loss) for the period attributable to the Shareholders of the		38,318	50,840
o.w. Profit (loss) for the period attributable to Non-controlling		3,061	-

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€/000)

	12/31/2019	12/31/2018
PROFIT (LOSS) FOR THE PERIOD	**41,379**	**50,840**
Other comprehensive income after tax not recyclable to profit or loss		
Defined benefit plans	(322)	364
Other comprehensive income after tax recyclable to profit or loss		
Cash flow hedges	(279)	-
Financial assets (other than equity instruments) measured at fair value through comprehensive income	(2)	2
TOTAL OTHER COMPREHENSIVE INCOME AFTER TAX	**(603)**	**366**
COMPREHENSIVE INCOME	**40,776**	**51,206**
o.w. Comprehensive income attributable to Shareholders of the Parent Company	37,715	51,206
o.w. Comprehensive income attributable to Non-controlling interests	3,061	-

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

AT 12/31/2019

(€/000)

	Balance as at 12/31 previus	Changes in opening balance	Balance as at 1/1	Allocation of profit from previous year		Changes during the year					Net equity attributable to Shareholders of the Parent Company at the period	Net equity attributable to Non-controlling interest at the period	Total Net Equity at the period
						Changes in reserves	Equity transactioins			Comprehensive income at the period			
				Reserves	Dividends and other payouts		Issue of new shares	Stock options	Changes in equity investments				
Share capital	41,280	-	41,280	-	-	-	-	-	-	-	41,280	-	41,280
Valuation reserves	591	-	591	-	-	-	-	-	-	(604)	(13)	-	(13)
Other reserves													
- Reserves from profit and/or withholding tax	13.993	-	13.993	-	-	-	-	4.613	-	-	18.606	-	18.606
- Other	126,331	-	126,331	14,576	-	(14,863)	-	1,248	-	-	127,292	-	127,292
Treasury shares	(246)	-	(246)	-	-	-	-	62	-	-	(184)	-	(184)
Net profit (loss) for the period	**50,840**	**-**	**50,840**	**(14,576)**	**(36,264)**	**-**	**-**	**-**	**-**	**38,318**	**38,318**	**-**	**38,318**
Net equity attributable to Shareholders of the Parent Company	**232.789**	**-**	**232.789**	**-**	**(36,264)**	**(14,863)**	**-**	**5.923**	**-**	**37,714**	**225.299**	**-**	**225.299**
Net equity attributable to Non-controlling interests	**-**	**-**	**-**	**-**	**-**	**(17,848)**	**-**	**-**	**14,787**	**3,061**	**-**	**-**	-
TOTAL NET EQUITY	**232.789**	**-**	**232.789**	**-**	**(36,264)**	**(32,711)**	**-**	**5.923**	**14,787**	**40,775**	**225.299**	**-**	**225.299**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

AT 12/31/2018

(€/000)

	Balance as at 12/31 previus	Changes in opening balance	Balance as at 1/1	Allocation of profit from previous year		Changes during the year					Net equity attributable to Shareholders of the Parent Company at the period	Net equity attributable to Non-controlling interest at the period	Total Net Equity at the period
							Equity transactions						
				Reserves	Dividends and other payouts	Changes in reserves	Issue of new shares	Stock options	Changes in equity investments	Comprehensive income at the period			
Share capital	41,280	-	41,280	-	-	-	-	-	-	-	41,280	-	41,280
Valuation reserves	1,350	(1,125)	225	-	-	-	-	-	-	366	591	-	591
Other reserves													
- Reserves from profit and/or withholding tax	10,476	1,140	11,616	-	-	-	(31)	2,408	-	-	13,993	-	13,993
- Other	108,874	(36)	108,838	14,087	-	-	-	3,406	-	-	126,331	-	126,331
Treasury shares	(277)	-	(277)	-	-	-	31	-	-	-	(246)	-	(246)
Net profit (loss) for the period	**44,994**	**-**	**44,994**	**(14,087)**	**(30,907)**	**-**	**-**	**-**	**-**	**50,840**	**50,840**	**-**	**50,840**
Net equity attributable to Shareholders of the Parent Company	**206,697**	**(21)**	**206,676**	**-**	**(30,907)**	**-**	**-**	**5,814**	**-**	**51,206**	**232,789**	**-**	**232,789**
Net equity attributable to Non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-
TOTAL NET EQUITY	**206,697**	**(21)**	**206,676**	**-**	**(30,907)**	**-**	**-**	**5,814**	**-**	**51,206**	**232,789**	**-**	**232,789**

CONSOLIDATED CASH FLOW STATEMENT – INDIRECT METHOD

(€/000)

	12/31/2019	12/31/2018
OPERATING ACTIVITIES		
Profit (loss) before tax	**69,384**	**78,289**
Adjustments to reconcile the gross result with the net financial flows:	**61,709**	**5,229**
Capital gains/losses on financial assets/liabilities held for trading and on financial assets/liabilities measured at fair through profit or loss (+/-)	(1,738)	(418)
Depreciation, amortisation and impairment	40,459	2,796
Change in net provisions for risks and charges	8,830	(2,046)
Financial (Expense)/Income	8,232	-
Profit/loss on equity interests and investments	-	(917)
Costs for share-based payments	5,926	5,814
Change in working capital	**22,398**	**889**
Change in trade receivables	11,364	113
Change in trade payables	11,034	776
Change in financial assets and liabilities	**(9,808)**	**(21,689)**
Financial assets measured at fair value through other comprehensive income	999	4
Other assets mandatorily measured at fair value	2,485	(10,832)
Financial assets measured at amortised cost	(13,292)	951
Financial liabilities measured at amortised cost	-	(11,812)
Other changes:	**(40,847)**	**(6,261)**
Interests payed	(6,568)	-
Payment of income taxes	(10,549)	(10,480)
Other changes in other assets/other liabilities	(23,730)	4,219
CASH FLOWS GENERATED BY OPERATIONS	**102,836**	**56,457**
INVESTING ACTIVITIES		
Sales of equity investments	-	2,610
Dividends collected on equity investments	-	1,186
Sales of inventories	408	333
Sales of property, plant and equipment	12	-
Purchases of property, plant and equipment	(1,424)	(1,235)
Purchases of intangible assets	(6,929)	(4,173)
Purchases of subsidiaries and business units	(356,878)	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES	**(364,811)**	**(1,279)**
FUNDING ACTIVITIES		
Distribution of dividends and other	(42,264)	(30,908)
Loans obtained	405,747	-
Repayment of loans	(41,500)	-
Payment of principal portion of lease liabilities	(5,477)	-
NET CASH FLOWS USED IN FUNDING ACTIVITIES	**316,506**	**(30,908)**
NET LIQUIDITY IN THE PERIOD	**54,531**	**24,270**
RECONCILIATION		
Cash and cash equivalents	73,631	49,361
NET LIQUIDITY IN THE PERIOD	54,531	24,270
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**128,162**	**73,631**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2

ACCOUNTING POLICIES

2.1

General information

STATEMENT OF COMPLIANCE WITH INTERNATIONAL ACCOUNTING STANDARDS

These Consolidated 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 consolidated 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 a limited audit by the audit firm EY S.p.A. in accordance with Legislative Decree 39 of January 27, 2010.

BASIS OF PREPARATION

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

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

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 Group 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 consolidated balance sheet and consolidated income statement presented in the Consolidated Reports and Accounts as at December 31, 2018.

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

(€/000)

ASSETS		12/31/2018
NON-CURRENT ASSETS		
Intangible assets		**6,847**
100A	*o.w. Intangible assets*	6,847
	o.w. Goodwill	-
Property, plant and equipment		**3,726**
90A	*o.w. Property, plant and equipment*	2,246
130A	*o.w. Other assets - o.w. Improvements on goods of third party*	1,480
Investments in associates and joint ventures		-
70A	*o.w. Equity investments*	-
Non-current financial assets		**36,139**
20A	*o.w. Financial assets measured at fair value through profit or loss*	34,250
40Aa	*o.w. Financial assets measured at amortised cost a) loans and receivables with banks*	98
40Ab	*o.w. Financial assets measured at amortised cost b) loans and receivables with customers*	1,777
130A	*o.w. Other assets: other accrued income and prepaid expenses*	14
Deferred tax assets		**81,406**
110A	*o.w. Tax assets*	81,406
Other non current assets		**99**
130A	*o.w. Other assets: other accrued income and prepaid expenses*	99
Total non-current assets		**128,217**
CURRENT ASSETS		
Inventories		**564**
90A	*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		**99,224**
130A	*o.w. Other assets: Trade receivable - invoices issued and to be issued*	99,224
Tax assets		**33**
110A	*o.w. Tax assets*	33
Other current assets		**13,658**
130A	*o.w. Other assets: tax items*	5,916
130A	*o.w. Other assets: other accrued income and prepaid expenses*	7,742
Cash and cash equivalents		**73,631**
10A	*o.w. Cash and cash equivalents*	15
40Aa	*o.w. Financial assets measured at amortised cost a) loans and receivables with banks*	73,429
40Ab	*o.w. Financial assets measured at amortised cost b) loans and receivables with customers*	187
Total current assets		**188,109**
Assets held for sale		**710**
120A	*o.w. Non-current assets and disposal groups held for sale*	710
TOTAL ASSETS		**317,036**

CONT.

SHAREHOLDERS' EQUITY AND LIABILITIES		12/31/2018
Share capital		**41,280**
170	*o.w. Share capital*	41,280
Valuation reserve		**591**
120	*o.w. Valuation reserves*	591
Other reserves		**140,324**
150P	*o.w. Reserves*	140,324
Treasury shares		**(246)**
180	*o.w. Treasury shares (-)*	(246)
Profit (loss) for the period attributable to the Shareholders of the Parent Company		**50,840**
200P	*o.w. Net profit (loss) for the period*	50,840
Net Equity attributable to the Shareholders of the Parent Company		**232,789**
Net Equity attributable to Non-controlling interests		-
TOTAL NET EQUITY		**232,789**
NON-CURRENT LIABILITIES		
Loans and other financing		**165**
10Pb	*o.w. Financial liabilities measured at amortised cost b) due to customers*	165
Employee benefits		**9,577**
90P	*o.w. Employee termination benefits*	9,577
Provisions for risks and charges		**20,754**
100P	*o.w. Provisions for risks and charges*	20,754
Deferred tax liabilities		**21**
60P	*o.w. Tax liabilities*	21
Total non-current liabilities		**30,517**
CURRENT LIABILITIES		
Loans and other financing		**129**
10Pb	*o.w. Financial liabilities measured at amortised cost b) due to customers*	129
Trade payables		**21,848**
80P	*o.w. Other liabilities: trade liabilities - invoices received and to be received*	21,848
Tax payables		**11,069**
60P	*o.w. Tax liabilities*	8,168
80P	*o.w. Other liabilities: tax liabilities*	2,901
Other current liabilities		**14,152**
80P	*o.w. Other liabilities: other liabilities due to employees*	14,152
Total current liabilities		**47,198**
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		**84,247**
TOTAL NET EQUITY AND LIABILITIES		**317,036**

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

(€/000)

PROFIT AND LOSS		**12/31/2018**
Revenue from contracts with customers		**206,535**
40	*o.w. Fee and commission income*	206,535
Other revenue		**28,983**
230	*o.w. Other operating expense and income*	28,983
Total revenues		**235,518**
Costs for services rendered		**(18,649)**
50	*o.w. Fee and commission expense*	(18,649)
Personnel expenses		**(97,092)**
190a	*o.w. Administrative costs: a) Staff expenses*	(97,092)
Administrative expenses		**(42,821)**
190b	*o.w. Administrative costs: b) Other administrative expense*	(42,821)
Other operating (expense)/income		**(247)**
230	*o.w. Other operating expense and income*	(247)
Depreciation, amortisation and impairment		**(2,796)**
210	*o.w. Impairment/write-backs on property, plant and equipment*	(696)
220	*o.w. Impairment/write-backs on intangible assets*	(1,706)
230	*o.w. Other operating expense and income*	(348)
130	*o.w. Net losses/recoveries on impairment for credit risk*	(46)
Provisions for risks and charges		**2,046**
200	*o.w. Net provisions for risks and charges*	2,046
Total costs		**(159,559)**
OPERATING INCOME		**75,959**
Financial (Expense)/Income		**1,411**
10	*o.w. Interest income and similar revenues*	1,010
20	*o.w. Interest expense and similar charges*	(16)
110	*o.w. Gains and losses on financial assets/liabilities at fair value through profit or loss*	417
Profit (loss) of equity investments		**919**
10	*o.w. Interest income and similar revenues*	2
250	*o.w. Profit (Loss) of equity investments*	917
PROFIT (LOSS) BEFORE TAX		**78,289**
Income tax expense		**(27,449)**
300	*o.w. Income tax expense from continuing operations*	(27,449)
NET PROFIT (LOSS) FROM CONTINUING OPERATIONS		**50,840**
Net income (expense) of assets held for sale		**-**
320	*o.w. Profit (loss) after tax from discontinued operations*	-
PROFIT (LOSS) FOR THE PERIOD		**50,840**
	o.w. Profit (loss) for the period attributable to the Shareholders of the Parent Company	50,840
	o.w. Profit (loss) for the period attributable to Non-controlling interests	-

The Consolidated 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 Consolidated financial statements 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 Consolidated 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".

SCOPE AND METHOD OF CONSOLIDATION

The preparation of the Consolidated financial statements as at December 31, 2019 drew on the accounts as at December 31, 2019 of the companies included in the scope of consolidation reported in the table presented at the end of this section.

The accounts as at December 31, 2019 of the companies included in the scope of consolidation were reclassified and adjusted appropriately to take consolidation requirements into account and, where necessary, align them with the Group accounting policies.

All of the companies in the scope of consolidation use the euro as their currency of account and, accordingly, no translations of foreign currency were required.

The following section discussed the consolidation principles adopted by the Group in preparing the Consolidated financial statements as at December 31, 2019.

Subsidiaries

Entities in which doValue holds direct or indirect control are considered subsidiaries. Control over an entity is identified through the ability of the investor to exercise power in order to influence the variable returns to which the Group is exposed through its relationship with that entity.

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 the investor has contractual rights that give it 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 the investor has relations with the investee whose returns are subject to changes that depend on 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.

The carrying amount of equity investments in companies consolidated on a line-by-line basis held by the Parent Company is eliminated – with the incorporation of the assets and liabilities of the investees – against the corresponding portion of shareholders' equity attributable to the Group.
Assets and liabilities, off-balance-sheet transactions, income and expense, as well as profits and losses occurring between companies within the scope of consolidation are fully eliminated, in accordance with the consolidation methods adopted.
The costs and revenues of a subsidiary are included in the consolidated figures as from the date control was acquired. The costs and revenues of a transferred subsidiary are included in the consolidated income statement until the date of the disposal, i.e. until the moment in which control over the investee is lost. The difference between the amount received for the subsidiary and the carrying amount of its net assets (including goodwill) at the same date is recognised in the income statement under "Profit (loss) of equity investments" for companies subject to line-by-line consolidation. The shareholding that may be retained must be recognized at fair value.
For companies included within the scope of consolidation for the first time, the fair value of the cost incurred to obtain control over the investee, excluding transactions costs, is measured as of the acquisition date.
If the disposal does not involve a loss of control, the difference between the amount received in the disposal of a portion of a subsidiary and the associated carrying amount of the net assets is recognised in shareholders' equity.

Business combinations

The governing accounting standard for business combinations is IFRS 3. The transfer of control of a business (or an integrated set of activities and assets conducted and managed together) constitutes a business combination. To this end, control is considered transferred when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 3 requires that an acquirer be identified for all business combinations. The latter is the entity that obtains control over another entity or group of assets. If it is not possible to identify a controlling entity on the basis of the definition of control described above, such as for example in the case of exchanges of equity interests, the acquirer shall be identified using circumstances such as: the entity whose fair value is significantly greater, the entity that transfers cash, or the entity that issues new equity interests. The acquisition, and therefore the initial consolidation of the acquiree, must be recognised on the date on which the acquirer effectively obtains control over the company or assets acquired. When the transaction takes place as a single transfer, the date of transfer normally coincides with the acquisition date. However, it is always necessary to verify the possible presence of agreements between the parties that may lead to the transfer of control before the date of the exchange. The consideration transferred as part of a business combination must be determined as the sum of the fair value, at the date of the exchange, of the assets acquired, the liabilities incurred or assumed and the equity instruments issued by the acquirer in exchange for control. In transactions involving payment in cash (or when payment is made using financial instruments comparable to cash) the price is the agreed consideration, possibly discounted if payment is to be made in instalments over a period longer than short term. If the payment is made using an instrument other than cash, therefore through the issue of equity instruments, the price is equal to the fair value of the means of payment, net of the costs directly attributable to the capital issue. Adjustments subject to future events are included in the consideration of the business combination at the acquisition date, if they are provided for in the agreements and only if they are probable, can be reliably determined and realised within the twelve months following the date of acquisition of control, while indemnities for a reduction of the value of the assets used are not considered as they are already considered either in the fair value of the equity instruments or as a reduction of the premium or increase in the discount on the initial issue in the case of the issue of debt instruments. Acquisition-related costs are the costs the acquirer incurs to effect a business combination. By way of example, these may include professional fees paid to auditors, experts, legal consultants, costs for appraisals and auditing of accounts, preparation of information documents required by regulations, as well as finder's fees paid to identify potential targets to be acquired if it is contractually established that the payment is made only in the event of a positive outcome of the combination, as well as

the costs of registering and issuing debt and equity securities. The acquirer shall recognise acquisition-related costs in the periods in which these costs are incurred and the services are received, with the exception of the costs of issuing debt or equity securities, which shall be recognised in accordance with IAS 32 and IAS 39. Business combinations are accounted for using the "acquisition method", under which the identifiable assets acquired (including any intangible assets not previously recognised by the acquiree) and the identifiable liabilities assumed (including contingent liabilities) are recognised at their respective fair values on the acquisition date. Moreover, for each business combination, any non-controlling interests in the acquiree can be recognised at fair value (with a consequent increase in the consideration transferred) or in proportion to the non-controlling stake in the identifiable net assets of the acquiree. If control is acquired in stages, the acquirer shall measure its previously held equity interest in the acquiree at its acquisition date fair value and recognise the resulting gain or loss in profit or loss. The excess of the consideration transferred (represented by the fair value of the assets transferred, the liabilities incurred or the equity instruments issued by the acquirer), the amount of any non-controlling interests (determined as described above) and the fair value of interests previously held by the acquirer, over the fair value of the assets and liabilities acquired shall be recognised as goodwill. Conversely, if the latter exceeds the sum of the consideration, non-controlling interests and fair value of previously held interests, the difference shall be recognised through profit or loss. Business combinations may be accounted for provisionally by the end of the financial year in which the business combination is carried out and must be completed within twelve months of the acquisition date. Pursuant to IFRS 10, the acquisition of additional interests in entities that are already controlled are considered equity transactions, i.e. transactions with owners in their capacity as owners. Therefore differences between the acquisition costs and the carrying amount of non-controlling interests acquired are booked to Group shareholders' equity; similarly, sales of non-controlling interests without loss of control do not generate gains/losses recognised in profit or loss but rather are recognised as changes in group equity. Business combinations do not include transactions to obtain control over one or more entities that do not constitute a business or to obtain transitory control or, finally, if the business combination is carried out for the purpose of reorganisation, therefore between two or more companies or activities that already belong to the doValue Group and that does not involve a change in the control structure regardless of the percentage of third-party rights before and after the transaction (known as combinations of entities under common control). These transactions are considered as having no economic substance. Accordingly, in the absence of an IAS/IFRS that specifically applies to the transaction and in compliance with the assumptions of IAS 8, which requires that in the absence of a specific standard – an entity shall use its judgement in applying an accounting policy that produces relevant, reliable and prudent information that reflects the economic substance of the transaction, such transactions are accounted for by retaining the values of the acquiree in the financial statements of the acquirer. Mergers are a form of business combination, representing the most complete form of such combinations, as they involve the legal and financial merging of the entities participating in the transaction. Whether they involve the formation of a new legal entity (merger of equals) or the absorption of one entity by another existing entity, mergers are treated in accordance with the criteria discussed above.
Specifically, if the transaction involves the transfer of control of an entity, it is treated as a business combination pursuant to IFRS 3; or, if the transaction does not involve the transfer of control, it is accounted for by retaining the accounting values of the merged company.

Associates

An associate is an entity over which an investor has significant influence but which is not controlled exclusively or jointly controlled. Significant influence is presumed when the investor:

- holds, directly or indirectly, at least 20% of the share capital of another entity; or
- is able, including through shareholders' agreements, 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.

Note that the considerations made to determine significant influence or joint control are similar to those necessary to determine control over subsidiaries.
Investments in associates are measured using the equity method. In accordance with IAS 36, the carrying amount of associated companies is tested as a single asset, comparing this with the recoverable amount (defined as the higher of its value in use and its fair value less costs of disposal).

Equity method

With the equity method, the investment in an associated company is initially recognized at cost. Equity investments in companies measured using the equity method include any goodwill (less any impairment loss) paid to purchase them. The investor's share of the profit or loss of the investee after the acquisition date is recognised in the income statement under "Profit (loss) of equity investments". Any dividends distributed reduce the carrying amount of the equity investment.
If the investor's interest in a subsidiary's losses is equal to or greater than its carrying amount, no further losses are recognised, unless the investor has assumed specific obligations to or made payments on behalf of the company.
Gains and losses on transactions with associates or joint arrangements are eliminated in proportion to the percentage interest in the company.
Any changes in the valuation reserves of associates or joint arrangements, which are recorded against the value changes in the associated item, are reported separately in the statement of comprehensive income.

At December 31, 2019, there were no companies measured using the equity method.

Investments in subsidiaries

The following table reports the companies included in the scope of consolidation:

	Company name	Headquarters and Registered Office	Country	Type of Relation ship (1)	Owner relationship		Voting rights % (2)
					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.	Proteus Asset Management, Unipessoal LDA	Lisbon	Portugal	1	Altamira Asset Management S.A.	100%	100%
8.	Altamira Asset Management Cyprus limited	Nicosia	Cyprus	1	Altamira Asset Management S.A.	51%	51%
9.	Altamira Asset Management Hellas Single-Member Company	Athens	Greece	1	Altamira Asset Management S.A.	100%	100%
10.	doValue Cyprus Limited	Nicosia	Cyprus	1	doValue S.p.A. + Altamira AM S.A.	94%+6%	94%+6%

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

Changes in the scope of consolidation

As reported in section on significant events for the period in the Directors' Report on the Group, in 2019 foreign companies located in southern Europe entered into the scope of consolidation.
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.

Significant assessments and assumptions for determining the scope of consolidation

The doValue Group determines the existence of control and, as a consequence, the scope of consolidation, by ascertaining compliance with the requirements envisaged by IFRS 10 with regard to entities in which it holds exposures:
- the existence of power over the entities' relevant activities;
- exposure to variable returns;
- the ability to affect the returns.

The factors considered for the purpose of this assessment depend on the entity's method of governance, its purpose and its financial structure.
This analysis led to the inclusion of the subsidiaries listed in the previous section within the scope of consolidation at December 31, 2019

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 Group 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 consolidated 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 Group 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 Group'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 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 numerous clauses specifying the rights and duties of doValue in relations with the participating banks, 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 preparation of these financial statements, the portion of servicing revenues without such manifest acceptance amounted to 49% of total amounts to be invoiced at December 31, 2019 and it amounts to 14% of the combined Total Revenues in the consolidated 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 Group 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 Group'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 Group'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.

Estimating impairment losses on intangible assets

On an annual basis, upon preparing the financial statements, intangible assets are tested for impairment. This impairment test is usually conducted by determining the value in use or the fair value of the assets and verifying that the carrying amount of the intangible asset is less than the greater of the respective value in use and the fair value less costs to sell.
Impairment testing for cash-generating units, to which almost all intangible assets with an indefinite life have been attributed, is conducted with reference to value in use obtained through the application of the dividend discount model (DDM), under which the value of a company is a function of the flow of dividends that it will be able to generate looking forward. In this case, the method used is the excess capital variant of the DDM, which assumes that the economic value of a company is equal to the sum of the current value of future cash flows (expected dividends) generated over the selected planning time horizon, and distributable to shareholders while maintaining an adequate level of capitalisation to ensure the expected future development of the business, and the perpetual capitalisation of the normalised dividend of the last year of the forecast, based on a pay-out ratio that is a function of profitability. A similar procedure is used to estimate the recoverability of the values recognised for active long-term servicing contracts, which assess the business plans of the portfolios under management in order to check their consequent capacity to generate adequate cash flows.
However, note that the parameters and information used to check the recoverability of intangible assets, including goodwill (in particular the cash flow forecast for the various CGUs, as well as the discount rates used) are significantly influenced by macroeconomic conditions and market developments as well as the behaviour of counterparties, which could change unpredictably.
If the recoverable value of the assets undergoing impairment testing is determined on the basis of the associated fair

value, it should also be noted that the significant and persistent volatility shown by the markets and the intrinsic difficulties in forecasting contractual cash flows mean that we cannot rule out the possibility that the valuations based on parameters drawn from the same markets and on contractual cash flow forecasts may subsequently prove not to be fully representative of the fair value of the assets.
With reference to the intangible assets recorded following the acquisition of Altamira Asset Management S.A. (Altamira) and its subsidiaries in June 2019, those assets were measured on the basis of the provisional Purchase Price Allocation described in the section "Business combinations relating to company enterprises or branches" in the Notes to the financial statements to which the reader should refer. The first-time amounts recorded in the financial statements were calculated on the basis of the update, at the same time as drafting these financial statements, of the fair value measurement of the net assets of Altamira in order to take account of information that was useful for measurement purposes, which was obtained after the acquisition date and had not been known or was not available on the date of acquisition and its entry into the consolidation. The gathering and analysis of the information needed for measurement purposes is still ongoing and is not yet considered to have been completed. It will only be possible to establish if the goodwill was allocated to the appropriate cash generating units properly at the end of said process which will be concluded within a year from the date of acquisition of the company. Additionally, on the basis of the new Group industrial plan for 2020-2022 approved in November 2019, no elements were found that would indicate possible impairment of the company compared to the value decided upon acquisition. Therefore no impairment tests were carried out on the provisional goodwill value as at the date of drafting these consolidated financial statements at December, 31 2019. This test will be carried out when the consolidated half-year financial report is drafted on the basis of the definitive PPA values.

Business combinations

The recognition of business combinations involves allocating the difference between the acquisition cost and the net book value to the assets and liabilities of the acquiree. For most of the assets and liabilities, the difference is allocated by recognising the assets and liabilities at their fair value. Any unallocated remainder is recognised as goodwill if positive; if negative, it is recognised in profit or loss as revenue. In the process of allocating the cost of the business combination, the doValue Group uses all available information. However, by definition this process involves the performance of complex and subjective estimations.
With reference to the business combination transaction represented by the acquisition of Altamira and its subsidiaries in June 2019, the fair value of the assets and liabilities and residual goodwill were measured on the basis of the provisional Purchase Price Allocation described in the section "Business combinations relating to company enterprises or branches" in these Notes to the financial statements to which the reader should refer (see also note above).

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 efficiency 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 Group 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 area 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 lessees. 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 lessee 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 payments 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 Group was carried out during 2018 with the involvement of various Group departments.
The Group 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 Group's shareholders' equity.
The Group 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 Group 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 leasing 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 Group 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 at January 1, 2019 are reported in the following table. These values also take account of the new companies of the Altamira group, which entered the scope of consolidation at June 30, 2019

(€/000)

Leasing category IFRS 16	Liability	Right of Use	Provisions for risks and charges	Number of assets
Office premises	15,466	15,617	151	50
Employee accomodation	467	467	-	6
Company cars	1,135	1,135	-	37
Total	**17,068**	**17,219**	**151**	**93**

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.

Impact of the transition to IFRS 16 on the balance sheet

(€/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			
Intangible assets	6.847	-	6.847
Property, plant and equipment	3.726	11.769	15.495
Investments in associates and joint ventures	-	-	-
Non-current financial assets	36.312	-	36.312
Deferred tax assets	81.406	-	81.406
	128.291	**11.769**	**140.060**
CURRENT ASSETS			
Inventories	564	-	564
Current financial assets	999	-	999
Trade receivables	99.224	-	99.224
Tax assets	33	-	33
Other current assets	13.771	-	13.771
Cash and cash equivalents	73.444	-	73.444
	188.035	**-**	**188.035**
Assets held for sale	**710**	**-**	**710**
TOTAL ASSETS	**317.036**	**11.769**	**328.805**

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	591	-	591
Other reserves	140.324	-	140.324
Treasury shares	(246)	-	(246)
Net profit (loss) for the period	50.840	-	50.840
Equity attributable to shareholders of the Parent Company	**232.789**	**-**	**232.789**
Non-controlling interests	-	-	-
TOTAL SHAREHOLDERS' EQUITY	**232.789**	**-**	**232.789**
NON-CURRENT LIABILITIES			
Loans and other financing	165	-	165
Other non-current financial liabilities	-	11.618	11.618
Employee benefits	9.577	-	9.577
Provisions for risks and charges	20.754	151	20.905
Deferred tax liabilities	21	-	21
	30.517	**11.769**	**42.286**
CURRENT LIABILITIES			
Loans and other financing	129	-	129
Other current financial liabilities	-	-	-
Trade payables	21.848	-	21.848
Tax payables	11.069	-	11.069
Other current liabilities	14.152	-	14.152
	47.198	**-**	**47.198**
Liabilities associated with assets held for sale	6.532	-	6.532
TOTAL LIABILITIES	**84.247**	**11.769**	**96.016**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**317.036**	**11.769**	**328.805**

The **impact on profit or loss** of the transition to IFRS 16 is reported in the section on Group results at December 31, 2019: in order to enable a uniform comparison of the data, a restated income statement for 2018 has been prepared assuming the application of IFRS 16 as from January 1, 2018.

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 debanking and consequent amendment of the financial statements starting from the current year by the parent company doValue, the specific balance sheet items provided for in the financial statements of financial entities 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 or 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 Note 3 under “Financial assets recognised at fair value under the components of the income statement”. The evaluation criterion has remained unchanged compared to 31 December 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 Note 5 under “Financial assets measured at amortised cost”. The evaluation criterion has remained unchanged compared to 31 December 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 Group business, and taking account of the expansion of its scope of the Group 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 Group has adopted for the first time a number of other accounting standards and amendments in preparing these Consolidated 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 Group 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 Statements**

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 comprise goodwill, software, brands, patents and long-term contracts receivable resulting from external business combinations.
Goodwill is equal to the difference between the consideration transferred in a business combination and the fair value of the identifiable net assets acquired, as discussed in greater detail in the section Business combinations.
Intangible assets other than goodwill 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 consolidated 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 consolidated 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.
After initial recognition, goodwill does not undergo amortisation, therefore it is valued at cost net of accumulated impairment losses determined by a periodic test for impairment.

More specifically, whenever there is evidence of impairment, and in any case at least once a year, goodwill is tested to ensure that it has incurred no lasting loss of value. To this end, the cash-generating unit ("CGU") to which the goodwill is allocated is identified. The amount of any impairment loss is determined on the basis of the difference between the carrying amount of the goodwill and its recoverable amount, if lower. This recoverable amount is equal to the greater of the fair value of the cash generating unit, less costs to sell, and its associated value in use. The value in use is the present value of the future cash flows expected from the cash generating units to which the goodwill has been allocated. The resulting value adjustments are recognised in profit or loss. Any subsequent write-backs may not be recognised.

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 consolidated 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 IFRS 10 - Consolidated Financial Statements, IAS 27 - Separate Financial Statements, IAS 28 - Investments in Associates and Joint Ventures, and IFRS 11 - Joint Arrangements.
These standards are explained in the section Scope and method of consolidation above, where disclosure is also provided on the valuations and assumptions made to establish the existence of control or significant influence.
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.

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 Group 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.

Accounting policies

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:
- the 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 provide for cash flows, on certain dates, that only represent principal and interest payments 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:
- 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 Group'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, 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 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.

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 and, for Italfondiario, the surtax of 3.5 percentage points applicable to credit and financial institutions (Law 208 of December 28, 2015).
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.
Deferred tax assets and liabilities are recognised in the balance sheet in their full amount without offsetting.

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 Group'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 expense from continuing operations, 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 lenders and securities issued. They also include 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 when they have expired or are discharged. 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 there-

fore 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 informations

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.

Accounting policies

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 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 default 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.

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 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
Financial assets measured at fair value through profit or loss	**-**	**-**	**(33,588)**	**-**	**-**	**(34,346)**
Units in collective investment undertakings	-	-	(28,923)	-	-	(28,963)
Debt securities	-	-	(4,619)	-	-	(5,337)
Equity securities	-	-	(46)	-	-	(46)
Financial assets measured at fair value through	**-**	**-**	**-**	**(999)**	**-**	**-**
Government securities	-	-	-	(999)	-	-
TOTAL	**-**	**-**	**(33,588)**	**(999)**	**-**	**(34,346)**
Other financial liabilities	**-**	**368**	**73,005**	**-**	**-**	**-**
Earn-out	-	-	39,811	-	-	-
Hedging derivatives	-	368	-	-	-	-
Put option on non-controlling interests	-	-	33,194	-	-	-
TOTAL	**-**	**368**	**73,005**	**-**	**-**	**-**

3

CONSOLIDATED **BALANCE SHEET**

3.1

Assets

NOTE 1 - **INTANGIBLE ASSETS**

(€/000)

	Software	Brands	Assets under development and payments on account	Other intangible assets	Goodwill	Total
Gross opening balances	**16,284**	**76**	**1,335**	**412**	-	**18,106**
Initial reduction in value	(10,919)	(9)	-	(332)	-	(11,260)
Net opening balances	**5,365**	**67**	**1,335**	**80**	-	**6,847**
Initial adjustments	*1*	-	-	*(1)*	-	-
Increases	**20,098**	**40,075**	**958**	**167,582**	**137,969**	**366,680**
Purchases	4,632	8	1,975	313	-	6,928
Business combination	14,457	40,067	-	167,269	137,969	359,762
Others changes	1,009	-	(1,017)	-	-	(8)
Decreases	**(6,923)**	**(1,783)**	-	**(23,944)**	-	**(32,650)**
Amortisation	(6,923)	(1,783)	-	(23,944)	-	(32,650)
GROSS CLOSING BALANCES	**36,383**	**40,151**	**2,293**	**167,993**	**137,969**	**384,789**
Final reduction in value	(17,842)	(1,792)	-	(24,276)	-	(43,910)
NET CLOSING BALANCES	**18,541**	**38,359**	**2,293**	**143,717**	**137,969**	**340,879**

With the acquisition of Altamira Asset Management, the value of intangible assets increased substantially, from €6.8 million to €340.9 million.
The value that could be allocated to the following intangible assets was established when making the provisional calculation of the Purchase Price Allocation (PPA):

- €14.5 million for software
- €40.1 million for the Altamira brand
- €167.3 million for the other intangible assets, with €157.9 million of this relating to the measurement of the long-term servicing contracts with big banks and companies, including the Santander bank and the real estate company Sareb, and €9.3 million relating to the backlog & database component.

The residual amount relating to Goodwill was measured at €137.5 million for Altamira. Another minimum portion of Goodwill of €0.4 million refers to the acquisition of the Greek servicer, to whom the Athens operating branch was transferred in the first half of 2019, along with the servicing contract entered into with the four main Greek banks.
Additional details on the Altamira acquisition are reported in the section on Business combinations relating to company undertakings or branches.

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

(€/000)

	Buildings	Furniture	Electronic systems	Other	Total
Gross opening balances	**2,837**	**2,271**	**5,933**	**317**	**11,358**
Initial reduction in value	(1,357)	(1,499)	(4,462)	(314)	(7,632)
Net opening balances	**1,480**	**772**	**1,471**	**3**	**3,726**
Initial adjustments	11,277	-	-	472	11,749
Increases	**10,794**	**18**	**1,955**	**2,832**	**15,599**
Purchases	4,192	21	918	567	5,698
Business combination	4,358	-	1,037	2,241	7,636
Others changes	2,244	(3)	-	24	2,265
Decreases	**(5,720)**	**(150)**	**(941)**	**(496)**	**(7,307)**
Disposals	-	-	(12)	-	(12)
Amortisation	(5,748)	(152)	(935)	(494)	(7,329)
Others changes	28	2	6	(2)	34
GROSS CLOSING BALANCES	**24,908**	**2,289**	**7,876**	**3,621**	**38,694**
Final reduction in value	(7,077)	(1,649)	(5,391)	(810)	(14,927)
NET CLOSING BALANCES	**17,831**	**640**	**2,485**	**2,811**	**23,767**

The adjustments to the opening balances reflect the impact of IFRS 16, on the basis of which, as from January 1, 2019, the Group 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, the Group recognised increases in assets of €5.7 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 19 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" (€2.2 million), which was not therefore included under the opening balances since it expired on January 1, 2019.

The increase associated with external business combinations regards the property, plant and equipment of Altamira in the amount of €7.6 million.

NOTE 3 - **FINANCIAL ASSETS**

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

(€/000)

	12/31/2019	12/31/2018
Non-current financial assets	**48,609**	**36,139**
Financial assets measured at fair value through profit or loss	**33,588**	**34,346**
Units in collective investment undertakings	28,923	28,963
Debt securities	4,619	5,337
Equity securities	46	46
Financial assets measured at amortised cost	**15,021**	**1,793**
Loans to customers	14,935	1,792
Loans to banks	86	1
Current financial assets	-	**999**
Financial assets measured at fair value through other comprehensive income	-	**999**
Government securities	-	999
TOTAL	**48,609**	**37,138**

The non-current financial assets include the Units in collective investment undertakings that 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 mainly due to the reduction in the notional outstanding amount recorded in the period due to the collection of the notes, against a gain of €688 thousand from the adjustment of the measurement to fair value.

Equity instruments consist of non-controlling interests for which the Group has not exercised the option available under IFRS 9 to measure these instruments at fair value through other comprehensive income not recyclable to profit or loss.

The increase during the year in loans to customers regards an opportunistic, non-recurring short-term investment of €13.0 million in a non-performing loan portfolio.

The Current financial assets item was set to zero since the previous investment in government securities were not renewed upon expiry; the investment had been made in the securities by the banking Parent Company to meet prudential short-term liquidity requirements the previous year.

NOTE 4 – **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 Parent 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.

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 12/29/2010, 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.

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 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 7 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;
- the prerequisite for recognising deferred tax assets is the that it is reasonable to expect that taxable income will be earned against which the deductible temporary differences can be used.

IRES and IRAP were calculated by applying the tax rates established under current law, using the new 24% tax rate for IRES purposes and, for Italfondiario only, applying the 3.5 percentage-point surtax envisaged for credit and financial institutions (Law 208 of December 28, 2015).
Due to the "debanking" of the parent company doValue, the above-mentioned additional IRES rate of 3.5% no longer applies. Therefore it was necessary to adjust the value of deferred tax asset residuals in place as at January 1, 2019 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, 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, and takes account of the difference between the interest income and similar income and the borrowing costs and similar charges to the extent provided for fiscally, also with application of the increased rate (of 5.57%) as applied to credit and financial institutions. The net effect of the write-off of the DTAs as at December 31, 2019, was €9.2 million.

A further impact on the balance of the deferred tax assets at December 31, 2019 was the increased amount of €32.7 million in DTAs contributed by the new subsidiary Altamira deriving from temporary differences on the deductibility of the write-downs and amortisation/depreciation of fixed assets, and on the tax loss component resulting from the write-downs made to intangible assets upon acquisition of control by doValue.

Deferred tax assets
Breakdown

(€/000)

	12/31/2019	12/31/2018
Write-downs of loans (P&L)	49,329	55,421
Tax losses carried forward (P&L)	13,082	19,397
Provisions recognised through Equity	502	315
Provisions for risks and charges (P&L)	4,929	5,791
Property, plant and equipment / intangible assets (P&L)	22,637	168
Administrative expenses (P&L)	149	148
Other assets / liabilities (P&L)	112	166
TOTAL	**90,740**	**81,406**

Change

(€/000)

	Income Statement	Recognised in equity	Total
Opening balance	**81,091**	**315**	**81,406**
Increases	**35,562**	**187**	**35,749**
Deferred tax assets recognised during the year	2,822	98	2,920
- Other	2,822	98	2,920
Other changes	-	88	88
Business combination	32,740	1	32,741
Decreases	**(26,415)**	**-**	**(26,415)**
Deferred tax assets derecognised during the year	(26,415)	-	(26,415)
- Reversals of temporary differences	(13,753)	-	(13,753)
- Other	(12,662)	-	(12,662)
TOTAL	**90,238**	**502**	**90,740**

Deferred tax liabilities
Breakdown

(€/000)

	12/31/2019	12/31/2018
Provisions recognised through P&L	24,866	20
Provisions recognised through Equity	20	1
TOTAL	**24,886**	**21**

Change

(€/000)

	Income Statement	Recognised in equity	Total
Net opening balances	**20**	**1**	**21**
Increases	**25,631**	**19**	**25,650**
Deferred tax liabilities recognised during the year	1	-	1
- Other	1	-	1
Other changes	-	19	19
Business combination	25,630	-	25,630
Decreases	**(785)**	**-**	**(785)**
Deferred tax liabilities derecognised during the year	(765)	-	(765)
- Reversals of temporary differences	(765)	-	(765)
Other changes	(20)	-	(20)
TOTAL	**24,866**	**20**	**24,886**

The amount of deferred tax liabilities referring to business combinations derives from the provisional application of the Purchase Price Allocation and, in particular, the overall tax effect of the fair value adjustments made to the initial consolidation values of the acquired company.
For more details, please refer to the section on Business combinations.

NOTE 5 - **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	**106**	**99**
Other current assets	**20,145**	**13.658**
Accrued income / prepaid expenses	2,779	2,698
Items for employees	1,453	869
Receivables for advances	6,115	3,796
Tax receivables	6,673	5.900
Other items	3,125	395
TOTAL	**20,251**	**13.757**

Other non-current assets mainly consist of security deposits.

NOTE 6 - **INVENTORIES**

At December 31, 2019 the item amounted to €137 thousand (€564 thousand at December 31, 2018) and refers to the Group real estate portfolio, represented by the value of 5 properties. During the year, 14 properties were sold with a reduction in inventories of €408 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 7 - **TRADE RECEIVABLES**

(€/000)

	12/31/2019	12/31/2018
Receivables	**188,228**	**99,281**
Receivables accruing (Invoices to be issued)	108,566	82,463
Receivables for invoices issued but not collected	79,662	16,818
Provisions	**(11,237)**	**(57)**
Provisions for expected losses on receivables	(11,237)	(57)
TOTAL	**176,991**	**99.224**

Trade receivables arise in respect of invoices issued and accruing revenues mainly related to servicing activities and property services by assignment.
The acquisition of Altamira and its subsidiaries accounted for €82.4 million in the balance as at December 31, 2019, with a positive effect on the Group net working capital of €7.1 million represented by the change in the item in the second half of the year, and starting from the date of entry into the consolidation (€89.5 million).

Consolidated Balance Sheet

NOTE 8 - **– TAX ASSETS AND TAX LIABILITIES**

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

TAX ASSETS

(€/000)

	12/31/2019	12/31/2018
Current tax assets	1,141	33
TOTALE	**1,141**	**33**

TAX LIABILITIES

(€/000)

	12/31/2019	12/31/2018
Current tax liabilities	7,853	8,168
VAT liability	5,249	308
Withholding taxes and others	4,359	2,593
TOTAL	**17,461**	**11,069**

The increase in tax liabilities with respect to December 31, 2018 essentially reflects the inclusion of Altamira in the scope of consolidation, which accounted for €12.8 million of the total.
This amount includes, among the payables for current taxes, an amount of €4.6 million relating to a tax dispute on tax statements relating to tax years preceding the acquisition by doValue. The main portion of said amount (€4.1 million) will be repaid by the seller of Altamira on the basis of the clauses provided for in the Share Purchase Agreement as a purchase price adjustment. The remaining amount of €0.5 million will be covered by an insurance policy entered into at the time of the acquisition. The request for compensation will follow the settlement of the amount with the Spanish tax authority which is scheduled for the second quarter of 2020.

NOTE 9 - **CASH AND CASH EQUIVALENTS**

The balance of €128.2 million, representing an increase of €54.5 million compared with the €73.6 million reported at December 31, 2018, represents the liquidity available at the end of the financial year.
Altamira accounted for €45.7 million on the year-end balance which was essentially the same as the balance at the date of entry into the consolidation (€45.3 million).
For an analysis of changes in cash and cash equivalents, please see the consolidated cash flow statement.

NOTE 10 - **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 which, inter alia, given the insignificant amount, was not included in the overall scope of consolidation.

(€/000)

	12/31/2019	12/31/2018
NON-CURRENT ASSETS:		
Non-current financial assets	10	710
Total non-current assets	**10**	**710**
CURRENT ASSETS:		
TOTAL ASSETS HELD FOR SALE	**10**	**710**
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 and Equity

NOTE 11 - SHAREHOLDERS' EQUITY

	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	**18,607**	**13.993**
Legal reserve	8,256	8,256
Reserve art. 7 Law 218/90	2,304	2.305
Tax-suspended reserve from business combinations	2	3
Reserve from FTA IAS art. 7 par. 7 Lgs. Decree 38/2005	8,780	8,780
Reserve from FTA IAS IFRS 9	1,140	1,140
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	7,086	2,408
Other reserves	**127,291**	**126,331**
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	5.602
Consolidation reserve	21,354	13,965
Negative reserve for put option on non-controlling interests	(14,787)	-
TOTAL	**145,898**	**140.324**

Other reserves increased by €5.6 million in the period due mainly to:

- a €6.7 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 €7.5 million increase in the **consolidation reserve** due to the effects of the undistributed profits of the subsidiaries;

- a €14.8 million decrease in respect of the negative reserve associated with the recognition of the financial liability for the **option to purchase non-controlling interests** pursuant to IAS 32 in the amount that exceeds the non-controlling interests identified in the Altamira PPA of €20.9 million, for the portion that exceeds the amount of capital of non-controlling interests. See the section on Business combinations for more information.
- 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;

In addition to the above, the remuneration policy led to a reduction in the treasury stock that was used to pay the amounts recorded in the accounts. The reduction for the period amounted to €62 thousand.

The valuation reserves at December 31, 2019 stood at -€13 thousand, significantly down compared to the balance of €591 thousand at the end of the previous period. €322 thousand of said reduction referred to the measurement of the Post-Employment Benefits in accordance with IAS 19, and €279 thousand from the measurement at fair value of the derivative contract (Interest Rate Swap) taken out to cover the cash flows relating to the facility loan linked to the acquisition of Altamira.

NOTE 12 - **LOANS AND OTHER FINANCING**

(€/000)

	Interest Rate %	Due Date	12/31/2019	12/31/2018
Non-current loans and other financing			**285,581**	**165**
Bank loan	2.50%	03/22/2024	284,944	-
Due to other lenders			637	165
Current loans and other financing			**79,683**	**129**
Bank loan	2.50%	12/31/2020	79,683	-
Due to other lenders			-	129
TOTAL			**365,264**	**294**

The balance of loans and other financing at December 31, 2019 mainly includes the loans from banks taken out to fund 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 interest rate risk, the exposure had been hedged with a cash flow hedge instrument that was activated during the third quarter of 2019.
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 13 - **OTHER FINANCIAL LIABILITIES**

(€/000)

	12/31/2019	12/31/2018
Other non-current financial liabilities	**43,922**	**-**
Lease liabilities	10,671	-
Put option on non-controlling interests	33,194	-
Hedging derivatives	57	-
Other current financial liabilities	**47,477**	**-**
Lease liabilities	7,356	-
Earn-out	39,811	-
Hedging derivatives	310	-
TOTAL	**91,399**	**-**

The other financial liabilities comprise the elements 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 19 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.

The **put option on non-controlling interests** represents the liability connected with the option to purchase the residual non-controlling interests of Altamira, expiring at the end of June 2021.

Derivative hedging contracts comprise an interest rate swap ("IRS") that the Company agreed with leading banks with starting date of June 28, 2019 and maturity date of March 22, 2024.
These contracts cover the risk of interest rate fluctuations on loan contracts as described in Note 12 "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 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 pro-

(€/000)

Note			12/31/2019	12/31/2018
9	A	Cash on hand	8	15
9	B	Cash at banks and short-term deposits	128,154	73,616
-	C	Trading securities	-	-
	D	**Liquidity (A)+(B)**	**128,162**	**73,631**
3	**E**	**Current financial assets**	**-**	**999**
12	F	Current bank debt	-	-
12	G	Current portion of non-current debt	(79,683)	-
12, 13	H	Other current financial debt	(47,477)	(129)
	I	**Current financial indebtness (F)+(G)+(H)**	**(127,160)**	**(129)**
	J	**Net current financial indebtness (I)+(E)+(D)**	**1,002**	**74,501**
12	K	Bank loan, non-current	(284,944)	-
-	L	Bond Issued	-	-
12, 13	M	Other non-current loans	(44,559)	(165)
	N	**Non-current financial indebtness (K)+(L)+(M)**	**(329,503)**	**(165)**
	O	**Net financial indebtness (J)+(N)**	**(328,501)**	**74,336**

Compared to the net financial position reported in the Directors' Report on the Group of €236.5 million, this prospectus includes the debt items described under letters H and M, for a total of €92.0 million.
A reconciliation table between the two different representations is set out below:

(€/000)

		12/31/2019	12/31/2018
A	**Net financial indebtness**	**(328,501)**	**74,336**
B	Other current financial debt	47,477	129
C	Other non-current loans	44,559	165
D	**Items excluded from the Net financial position**	**92,036**	**294**
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)**	**(236,465)**	**68,098**

NOTE 14 - **EMPLOYEE BENEFITS**

The following table shows changes in the provision for the post-employment benefits at December 31, 2019 and at December 31, 2018.

(€/000)

	12/31/2019	12/31/2018
Opening balance	**9,577**	**10,360**
Increases	**3,900**	**170**
Provisions for the year	150	147
Others changes	3,750	23
Decreases	**(4,933)**	**(953)**
Benefits paid	(1,604)	(430)
Others changes	(3,329)	(523)
CLOSING BALANCE	**8,544**	**9,577**

The reduction of the balance of €1.0 million was the result of certain voluntary redundancy actions put in place and realised by the Group in accordance with the provisions included in the industrial plan.

NOTE 15 - **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	**7,421**	**236**	**3,703**	-	**3**	**11,127**	**9.627**	**20.754**
Initial adjustments	-	-	151	-	-	151	-	151
Increases	**7,839**	**655**	**2,659**	-	-	**10,498**	**9,117**	**19.616**
Provisions for the year	2,380	407	2,230	-	-	4,610	6,850	11,460
Changes due to the passage of time and changes in the discount rate	(22)	-	9	-	-	(13)	7	(6)
Business combination	4,979	-	-	-	-	4,979	445	5,424
Other changes	502	248	420	-	-	922	1,815	2,737
Decreases	**(1,225)**	**(310)**	**(2,241)**	-	-	**(3,466)**	**(11,386)**	**(14,852)**
Reallocations of the year	(266)	(53)	(1,909)	-	-	(2,175)	(455)	(2,630)
Utilisation for payment	(625)	(184)	(52)	-	-	(677)	(8,237)	(8,914)
Other changes	(334)	(73)	(280)	-	-	(614)	(2,694)	(3,308)
CLOSING BALANCE	**14,035**	**581**	**4,272**	-	**3**	**18,310**	**7,359**	**25,669**

The item **legal and tax disputes** primarily reports provisions in respect of the risks of litigation brought against the Group concerning its core activities, up by €6.6 million mainly due to the contribution of Altamira for the new provisions in the face of a recent dispute which arose with its customer regarding the interpretation of certain contractual clauses. These liabilities emerged in the final quarter, and since most related to contractual elements existing as at the date of acquisition even though not yet discovered, it was included in the business combination transactions for €5.0 million.
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, the provisions include hedging, for €2.2 million, for the estimated liabilities against the risks resulting from compensation obligations deriving from a specific Settlement Agreement; the total net amount of this category was reduced following the release of previous residual provisions in the face of possible risks resulting from performance of 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.

Finally, the balance at January 1, 2019 includes €151 thousand in respect of 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 Group 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 16 - **TRADE PAYABLES**

(€/000)

	12/31/2019	12/31/2018
Payables to suppliers for invoices to be received	31,392	14.998
Payables to suppliers for invoices to be paid	15,577	6.850
TOTAL	**46,969**	**21.848**

As with trade receivables, the balance at December 31, 2019 for trade payables was impacted by the consolidation of Altamira, which accounts for €24.2 million compared to €14.1 million as at the date of entry into the consolidation. The change of €10.1 million contributes towards the positive balance of Group net working capital.

NOTE 17 - **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 difference of €11.0 million with respect to December 31, 2018 is mainly due to the contribution of Altamira where this item includes the staff bonus payables which accrued during the year (bonuses and early retirement incentives).

(€/000)

	12/31/2019	12/31/2018
Amounts to be paid to third parties	2,841	219
Amounts due to personnel	11,472	3,409
o.w. employees	*11,380*	*3,152*
o.w. members of Board of Directors and Auditors	*92*	*257*
Amounts due to pension and social security institutions	4,902	4.064
Items being processed	3,288	3.431
Other items	2,245	2,629
Accrued expenses / deferred income	448	400
TOTAL	**25,196**	**14.152**

NOTE 18 - **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 the Group'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.
The Group uses treasury stock 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 date of allocation.
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 date of allocation.

In order to reflect the performance and risk levels actually taken on, and take account of the individual behaviour, the Group 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 the Group 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 19 - **LEASES**

The Group 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, the Group 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.
The Group also has some leases for electronic systems, properties and vehicles, where the duration is equal to or less than 12 months or where the value is low. For these contracts, the Group has chosen to apply the exceptions provided for under IFRS 16 regarding short-term or low value leases.

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	**15,640**	**1,045**	**16,685**
Increases	**6,542**	**438**	**6,980**
Purchases	4,185	419	4,604
Other changes	2,357	19	2,376
Decreases	**(5,496)**	**(329)**	**(5,825)**
Amortisation	(5,412)	(329)	(5,741)
Other changes	(84)	-	(84)
CLOSING BALANCES	**16,686**	**1,154**	**17,840**

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	**16,560**
Increases	**7,034**
New liabilities	3,967
Financial expenses	716
Other changes	2,351
Decreases	**(5,566)**
Payments	(5,477)
Other changes	(89)
CLOSING BALANCES	**18,028**
o.w.: Non-current lease liabilities	10,672
o.w.: Current lease liabilities	7,355

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

(€/000)

	12/31/2019
Amortisation of right-of-use assets	(5,741)
Financial expenses from lease liabilities	(716)
Total amounts recognised in Income Statement	**(6,457)**

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CONSOLIDATED INCOME STATEMENT

NOTE 20 - **REVENUE FROM CONTRACTS WITH CUSTOMERS**

(€/000)

	12/31/2019	12/31/2018
Servicing services	178,533	127,613
Servicing for securitisations	95,009	78,922
REO services	57,254	-
TOTAL	**330,796**	**206,535**

Overall, the item increased by 60% compared to 2018, and on an equivalent basis, or excluding the contribution of Altamira, was slightly down by 2%.
The contribution of the new purchase amounted to €71.7 million with reference to the item **Servicing services** which recoded a 40% increase compared to 2018.
Altamira also contributed fully to the new **REO services** line with revenues of €57.3 million.
The revenues from **Servicing for securitisations** were also up by 20%, standing at €95.0 million.

NOTE 21 - **OTHER REVENUES**

(€/000)

	12/31/2019	12/31/2018
Administrative Servicing / Corporate Services Provider	10,336	11,327
Information services	5,416	4,736
Recovery of expenses	7,032	9,195
Due diligence & Advisory	8,063	2,530
Ancillary REO services	1,673	-
Other revenues	2,551	1,195
TOTAL	**35,071**	**28,983**

The item **Other revenues** increased by 21% compared with the previous period.
Even in this case, the contribution of Altamira had a significant effect, i.e. €9.8 million allocated to the items Due diligence & Advisory (€7.7 million), Additional property services for the total amount reported and other revenues for €0.6 million.

NOTE 22 - **COSTS FOR SERVICES RENDERED**

(€/000)

	12/31/2019	12/31/2018
Costs for management of agency contracts	(22,900)	(18,413)
Brokerage fees	(12,673)	-
Costs for other services	(464)	(236)
TOTAL	**(36,037)**	**(18,649)**

The item, which reports fee and commission expense payable to the debt collection network, essentially doubled compared to the previous year. However, excluding the Altamira contribution that mainly refers to costs for management of agency contracts (€8.1 million) and brokerage fees (€12.7 million), the costs for services rendered in the Italian operating area was down 20% compared to December 31, 2018 in line with the expectations relating to the goal to reduce the use of outsourcing services.

NOTE 23 - **PERSONNEL EXPENSES**

(€/000)

	12/31/2019	12/31/2018
Payroll employees	(136,895)	(90,039)
Members of Board of Directors and Board of Auditors	(7,148)	(6,831)
Other personnel	(511)	(222)
TOTAL	**(144,554)**	**(97,092)**

Average number of employees by category

	12/31/2019	12/31/2018
Payroll employees	**1,812**	**1,239**
a) Executives	83	38
b) Managers	709	515
c) Other employees	1.024	686
Other staff	**12**	**11**
TOTAL	**1.828**	**1,250**

Personnel expenses were up by 49% compared to December 31, 2019 and 8% on an equivalent basis, i.e. excluding Altamira which accounts for €40.0 million and which contributes approximately 560 employees with respect to the average number of staff in the period.
The increase in these expenses on an equivalent basis was due to the increased workforce involved in the new businesses in Greece and the development of the UTP servicing in Italy. There was also an increase in the costs for early retirement incentives which amounted to €7.2 million in 2019 (€5.1 million excluding Altamira) compared to €2.2 million in 2018.

NOTE 24 - **ADMINISTRATIVE EXPENSES**

(€/000)

	12/31/2019	12/31/2018
External consultants	(19,137)	(8,028)
Information Technology	(23,882)	(16,084)
Administrative and logistical services	(3,543)	(2,421)
Rentals, building maintenance and security	(5,453)	(6,600)
Insurance	(1,439)	(1,142)
Indirect taxes and duties	(2,074)	(2,677)
Postal services, office supplies	(1,839)	(1,251)
Indirect personnel expenses	(2,391)	(1,432)
Debt collection	(1,306)	(1,241)
Utilities	(1,065)	(1,102)
Advertising and marketing	(2,092)	(429)
Other expenses	(1,854)	(414)
TOTAL	**(66,075)**	**(42,821)**

Administrative expenses increased by +54% compared with the previous period, while, excluding Altamira, the increase in costs amounted to 11% due mainly to the increase in the one-off external consulting costs connected with the acquisition of Altamira and IT costs to develop software applications.

NOTE 25 - **OTHER OPERATING CHARGES / INCOME**

(€/000)

	12/31/2019	12/31/2018
Reductions in assets	(308)	(146)
Other expenses	(309)	(101)
TOTAL	**(617)**	**(247)**

Consolidated Income Statement

NOTE 26 - **DEPRECIATION, AMORTISATION AND IMPAIRMENT**

(€/000)

	12/31/2019	12/31/2018
Intangible assets	**(32,629)**	**(1,706)**
Amortisation	(32,629)	(1,706)
Property, plant and equipment	**(7,344)**	**(989)**
Amortisation	(7,344)	(989)
Financial assets measured at amortised cost	**(63)**	**(45)**
Write-downs	(78)	(94)
Write-backs	15	49
Inventories	**(20)**	**(56)**
Impairment	(20)	(56)
Trade receivables	**(730)**	**-**
Write-downs	(730)	-
TOTAL	**(40,786)**	**(2,796)**

The increase recorded in 2019 reflected Altamira's contribution of €32.6 million, mainly referring to the amortisation of intangible assets (servicing contracts, brands, backlogs and databases and software).
On an equivalent basis, the increase of €7.9 million compared to 2018 mainly reflects the application of the new standard IFRS 16, with the recognition starting from January 1, 2019, of the rights of use deriving from building and car lease contracts. For more details, please refer to Note 19 and the Accounting Policies section.

NOTE 27 - **PROVISIONS FOR RISKS AND CHARGES**

(€/000)

	12/31/2019			12/31/2018		
	Provisions	Reallocations	Total	Provisions	Reallocations	Total
Legal and tax disputes	(2,358)	266	**(2,092)**	(2,754)	2,079	**(675)**
o.w. Employee disputes	*(407)*	*38*	***(369)***	*(166)*	*984*	***818***
Out-of-court disputes	(2,239)	1,909	**(330)**	(423)	3,144	**2,721**
Provisions on other commitments and other guarantees issued	(17)	-	**(17)**	-	-	**-**
TOTAL	**(4,614)**	**2,175**	**(2,439)**	**(3,177)**	**5,223**	**2,046**

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 €2.4 million as at December 31, 2019 compared with a positive balance of €2.0 million in 2018. This change reflects the 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 applicable period.
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 (€1.9 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 28 - **FINANCIAL (EXPENSE)/INCOME**

(€/000)

	12/31/2019	12/31/2018
Financial income	**720**	**1,012**
Income from financial assets measured at fair value through P&L	567	912
Income from financial assets measured at amortised cost	44	100
Other financial income	109	-
Financial expense	**(8,432)**	**(15)**
Expense from financial liabilities measured at amortised cost	(6,948)	(14)
Expense from hedging derivates	(193)	-
Other financial expenses	(1,291)	(1)
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	**(5,975)**	**1,411**

The **financial assets** mainly include the revenue from the Romeo and Mercuzio securities, down due to the progressive reimbursement of the outstanding value, whose measurement at fair value in accordance with IFRS 9 determined a positive measurement of €688 thousand including the component of the **net change in the amount of the financial assets and liabilities measured at fair value through P&L**.
This category also includes the gain related to the measurement of the Italian Recovery Fund collective investment undertaking shares based on the value of the transaction as at December 31, 2019.
Financial expense (€6.9 million) relate in full to the loan taken out at the end of June for the acquisition of Altamira, to which the charges from hedging derivatives also refer, relating to an Interest Rate Swap (IRS) of the same loan.
The **other financial expenses** related to the portion of interest calculated in accordance with IFRS 16, which applied starting from January 1, 2019. Please refer to Note 19 for more details on this item.

NOTE 29 - **PROFIT (LOSS) OF EQUITY INVESTMENTS**

The item makes no contribution to the result for 2019, unlike the year-earlier period when the value of €0.9 million reflected the equity valuation of the investment in BCC Gestione Crediti S.p.A., which was sold in the third quarter of 2018.

(€/000)

	12/31/2019	12/31/2018
Income	**-**	**919**
- Revaluations	-	2
- Gains on disposal	-	(58)
- Write-backs	-	975
TOTAL	**-**	**919**

NOTE 30 - **INCOME TAX EXPENSE**

(€/000)

	12/31/2019	12/31/2018
Current tax	(10,431)	(14,971)
Changes in prior year taxes	5,254	6
Reduction of current taxes for the year	1	-
Changes in deferred taxes assets	(23,593)	(12,484)
Changes in deferred taxes liabilities	764	-
TOTAL	**(28,005)**	**(27,449)**

Income tax expense for the period amounted to €28.0 million, essentially in line with the previous year. This mainly reflects:

- the net adjustment of €9.2 million of the amount of the deferred tax assets of the Parent Company 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 for the Parent Company doValue);
- the release to profit or loss of €5.1 million in excess provisions for current taxes recognised in previous years;
- the €5.0 million contribution of Altamira.

The reconciliation between the tax charges recorded in the consolidated 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	**69,384**	**78,289**
Theoretical tax rate	**24%**	**27.5%**
Theoretical computed taxes on income	**(16,652)**	**(21,529)**
- Different tax rates from the theoretical	(1,253)	104
- Non-taxable income - permanent differences	(387)	234
- Non-deductible expenses - permanent differences	(2,841)	(525)
- IRAP (regional business tax)	(4,390)	(5,557)
- Prior years and changes in tax rates	(2,377)	(156)
- Valuation adjustments and non-recognition of deferred tax assets/liabilities	(8)	-
- Other differences	(97)	(20)
Income tax recognised in income statement	**(28,005)**	**(27,449)**

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

INFORMATION ON **RISKS** AND **RISK MANAGEMENT POLICIES**

INTRODUCTION

The doValue Group, 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 Group's activities, in order to guarantee sound and prudent company management consistent with the pre-established objectives.
The Group Internal Control System is based on control bodies and departments, information flows and mechanisms to involve the applicable parties and Group governance mechanisms. More specifically, the Group 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 Group control system were represented by the following:

- transformation of the banking Parent Company 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 Group and the role covered in that model by the Parent Company, 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 the doValue Group 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 de-banking 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 Parent Company, 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 Parent Company 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 Parent Company, and the flows to the Supervisory Authority to reflect the effects of the de-banking.

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 the Parent Company 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.

Informations on risks and risk management policies

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 Parent Company 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 the Group regarding the internal control system, the Internal Audit Function established at the Parent Company will carry out the internal audit role on behalf of both the Parent 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 the Parent Company 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 the Group.

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 the Parent Company 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 the Parent Company Corporate Bodies. The corporate bodies of the other companies that belong to the Group 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 the Parent Company 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 the Group 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 the Parent Company, the consolidated financial statements and the interim consolidated financial statements 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 the Parent Company fall within the operating area of the Corporate Units of the Parent Company 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 the Parent Company;
- 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 the Parent 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.

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 Group companies accrue 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, the main 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 Group 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 Group 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 Group to meet its requirements for investment, working capital management and repayment of debt as it falls due.

MARKET RISK - INTEREST RATE RISK

The Group 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 Group signed an interest rate swap (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 12 “Loans and Other Financing” while the details of the hedging instruments are set out under Note 13 “Other financial liabilities”.

The derivative contracts in question will have to be included in the Table in the section relating to accounting policies under the paragraph “Hierarchy of fair value: assets and liabilities measured at fair value on a recurring basis - breakdown by fair value level”, and the Level of Fair Value is “2”.

SECURITISATIONS

On September 30, 2016, the sale of the non-performing portfolio of the Parent company 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 Parent 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 Parent 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, the Parent Company has set up a reporting system with different reporting dates and summary levels that ensures timely reporting on operational risks to the corporate bodies and the managers of the organisational units involved.
Similarly, there is a risk management framework in place compliant with Circular no. 288 of April 3, 2015 of the Bank of Italy that provides for the management of operational risk recognition processes, not unlike those of the Parent Company, in the Italfondiario subsidiary, registered with the Register of financial intermediaries pursuant to article 106 of the Consolidated Banking Law, and the Register of payment institutions pursuant to article 114 - septies of the Consolidated Banking Law.

6

SEGMENT REPORTING

Segment reporting

INTRODUCTION

In accordance with IFRS 8, the Segment reporting was prepared as a breakdown of the revenues by Region, intended as localisation of the provision of services.
Following the acquisition of Altamira which was completed halfway through the financial year, the business were broken down by geographic area in the Southern European area.

(€/000)

YEAR 2019	Italy	Greece & Cyprus	Spain & Portugal	Group
Revenue from contracts with customers	201,096	22,952	106,748	330,796
Other revenue	19,880	5,746	9,445	35,071
Total revenue	**220,976**	**28,698**	**116,193**	**365,867**
Costs for services rendered	(14,341)	(2,286)	(19,410)	(36,037)
Personnel expenses	(102,032)	(9,072)	(33,450)	(144,554)
Administrative expenses	(46,081)	(4,044)	(15,950)	(66,075)
Other operating (expense)/income	(528)	(89)	-	(617)
Depreciation, amortisation and impairment	(7,992)	(4,923)	(27,871)	(40,786)
Provisions for risks and charges	(2,194)	(17)	(228)	(2,439)
Total costs	**(173,168)**	**(20,431)**	**(96,909)**	**(290,508)**
OPERATING INCOME	**47,808**	**8,267**	**19,284**	**75,359**
Financial (expense)/income	(2,426)	(10)	(3,539)	(5,975)
PROFIT (LOSS) BEFORE TAX	**45,382**	**8,257**	**15,745**	**69,384**
Income tax expense	(22,944)	(375)	(4,686)	(28,005)
NET PROFIT (LOSS) FROM CONTINUING OPERATIONS	**22,438**	**7,882**	**11,059**	**41,379**
PROFIT (LOSS) FOR THE PERIOD	**22,438**	**7,882**	**11,059**	**41,379**
TOTAL ASSETS	**325,358**	**48,527**	**456,802**	**830,687**
TOTAL LIABILITIES	**520,740**	**22,792**	**61,856**	**605,388**

(€/000)

YEAR 2018	Italy	Greece & Cyprus	Spain & Portugal	Group
Revenue from contracts with customers	206,535	-	-	206,535
Other revenue	28,983	-	-	28,983
Total revenue	**235,518**	**-**	**-**	**235,518**
Costs for services rendered	(18,649)	-	-	(18,649)
Personnel expenses	(97,092)	-	-	(97,092)
Administrative expenses	(42,821)	-	-	(42,821)
Other operating (expense)/income	(247)	-	-	(247)
Depreciation, amortisation and impairment	(2,796)	-	-	(2,796)
Provisions for risks and charges	2,046	-	-	2,046
Total costs	**(159,559)**	**-**	**-**	**(159,559)**
Operating income	**75,959**	**-**	**-**	**75,959**
Financial (expense)/income	1,411	-	-	1,411
Profit (loss) from equity investments	919	-	-	919
Profit (loss) before tax	**78,289**	**-**	**-**	**78,289**
Income tax expense	(27,449)	-	-	(27,449)
Net Profit (loss) from continuing operations	**50,840**	**-**	**-**	**50,840**
Net profit (loss) for the period	**50,840**	**-**	**-**	**50,840**
TOTAL ASSETS	**317,036**	**-**	**-**	**317,036**
TOTAL LIABILITIES	**84,247**	**-**	**-**	**84,247**

7

BUSINESS COMBINATIONS

7.1

Business combinations completed in the period

This section provides detailed information on business combinations involving companies or business units undertaken with counterparties outside the Group, which are accounted for using the purchase method as provided for under IFRS 3 "Business combinations".

Business combinations involving companies or business units already controlled directly or indirectly by doValue as part of the Group's internal reorganisations are also reported here. These transactions, which do not have economic substance, are accounted for in the financial statements of the seller and the buyer on a predecessor value basis.

EXTERNAL AND INTERNAL BUSINESS COMBINATIONS

Altamira

On June 27, 2019 the Group acquired 85% of the voting shares of Altamira Asset Management S.A. (Altamira), one of the leading servicers of non-performing loans and real estate assets, with a presence in Spain, Portugal, Cyprus and Greece. Please refer to the Report on Operations for more details on the strategic nature of the transaction.

The provisional fair value of net assets of Altamira at the acquisition date is set out below.

(€/000)

	Fair value recognised in acquisition*
NON-CURRENT ASSETS	
Intangible assets	221,793
of which Other Intangible Assets	167,268
> servicing contracts (SLAs)	157,933
> backlog & database	9,335
of which Software	14,457
of which Brands	40,068
Property, plant and equipment	7,638
Deferred tax assets	32,739
	262,170
CURRENT ASSETS	
Trade receivables	89,530
Tax assets	2,121
Other current assets	1,595
Cash and cash equivalents	45,315
	138,561
TOTAL ASSETS	**400,731**
NON-CURRENT LIABILITIES	
Loans and other financing	144,708
Other non-current financial liabilities	1,885
Provisions for risks and charges	4,979
Deferred tax liabilities	25,631
	177,203
CURRENT LIABILITIES	
Loans and other financing	40,155
Other current financial liabilities	3,075
Trade payables	14,088
Tax payables	16,578
Other current liabilities	10,024
	83,920
TOTAL LIABILITIES	**261,123**
TOTALE NET IDENTIFIABLE ASSETS AT FAIR VALUE	**139,608**
Non-controlling interests measured at fair value	**(20,941)**
Goodwill arising from acquisition (provisional)*	**137,534**
ACQUISITION PRICE	**256,201**
Earn-out	(39,307)
ACQUISITION PRICE PAID	**216,894**

(*) The valuation of the fair value of the net assets is provisional and could be corrected subsequently with an adjustment corresponding to goodwill prior to June 27, 2020 (within one year of the transaction date).

Even though the PPA measurement has to be kept provisional until a year from the transaction has passed (by June 27, 2020), with respect to the amounts presented in the consolidated half-year financial Report at June 30, 2019, it was decided to update the measurement to the fair value of the net assets of Altamira in order to take account of information that was useful for measurement purposes, which was obtained in the second half of 2019 and had not been known or was not available on the date of acquisition and its entry into the consolidation.

The process of collecting and analyzing information useful for evaluation purposes is still ongoing and is not considered completed. Only at the end of this process, to be completed within a year from the acquisition date of the company, will it be possible to identify the adequate allocation of the goodwill to the appropriate cash-generating CGUs.

The Earn-out is recognised at fair value under other financial liabilities, as described in Note 13.

At the acquisition date, the provisional fair value of the intangible assets linked to the Altamira servicing contracts and backlog and database amounted to €157.9 million and €9.3 million respectively. The difference between the carrying amount of these two elements is the result of the measurement performed using the "Multi-period Excess Earnings method" (MEEM), which discounts the value of the net cash flows specifically attributable to these active contracts.

The Altamira brand is recognised in the financial statements of the company at a carrying amount of €38.8 million, and using the measurement carried out by ***applying the Income approach - Relief from royalty method***, the fair value attributed to it amounts to €40.1 million.

Transaction costs of €9.1 million were charged to the consolidated income statement under administrative expenses.

The table below compares the provisional values presented as at June 30, 2019 and the values updated in the second half of 2019 and reported in the previous table.

(€/000)

	Fair value of acquisition exposed at June 30, 2019	New valuation	Note	Fair value of acquisition exposed at December 31, 2019
NON-CURRENT ASSETS				
Intangible assets	305,926	(84,133)	1	221,793
of which Other Intangible	251,863	(84,595)		167,268
> servicing contracts (SLAs)	242,584	(84,651)		157,933
> backlog & database	9,279	56		9,335
of which Software	13,696	761		14,457
of which Brands	40,367	(299)		40,068
Property, plant and equipment	7,638	-		7,638
Deferred tax assets	11,822	20,917	2	32,739
	325,386	**(63,216)**		**262,170**
CURRENT ASSETS				
Trade receivables	92,528	(2,998)	3	89,530
Tax assets	-	2,121	4	2,121
Other current assets	1,917	(322)		1,595
Cash and cash equivalents	45,315	-		45,315
	139,760	**(1,199)**		**138,561**
TOTAL ASSETS	**465,146**	**(64,415)**		**400,731**
NON-CURRENT LIABILITIES				
Loans and other financing	144,708	-		144,708
Other non-current financial	1,885	-		1,885
Provisions for risks and charges	-	4,979	5	4,979
Deferred tax liabilities	46,664	(21,033)	3	25,631
	193,257	**(16,054)**		**177,203**
CURRENT LIABILITIES				
Loans and other financing	40,155	-		40,155
Other current financial liabilities	3,075	-		3,075
Trade payables	14,088	-		14,088
Tax payables	11,853	4,725	6	16,578
Other current liabilities	10,024	-		10,024
	79,195	**4,725**		**83,920**
TOTAL LIABILITIES	**272,452**	**(11,329)**		**261,123**
TOTALE NET IDENTIFIABLE ASSETS AT FAIR VALUE	**192,694**	**(53,086)**		**139,608**
Non-controlling interests	**(28,904)**	**7,963**		**(20,941)**
Goodwill arising from acquisition (provisional)*	**96,532**	**41,002**		**137,534**
ACQUISITION PRICE	**260,322**	**(4,121)**	7	**256,201**
Earn-out	(39,307)	-		(39,307)
ACQUISITION PRICE PAID	**221,015**	**(4,121)**		**216,894**

Note 1 On the basis of the 2020-2022 business plan presented last November, the forecast of cash flows was updated with respect to the servicing contracts existing on the acquisition date, with a consequent reduction of the relative fair value measurement;

Note 2 The deferred tax assets were updated to take account of the effects resulting from the significant write-downs of intangible assets and the consequent tax losses of Altamira recorded on the date it became part of the consolidation;

Note 3 The trade receivables were reduced to take account of the accounting adjustment resulting from a more accurate estimate of the revenues accruing as at June 30, 2019;

Note 4 A tax credit was included relating to the 2018 tax statement, accounted for in accordance with the acquisition in the second half of 2019;

Note 5 The provision for risks and charges was adjusted to reflect the amount expected to be paid for a dispute brought in the second half of the year by one of the main customers of the company, on the applicability of contractual provisions that already existed as at the date of acquisition. This amount was calculated as the amount accrued up to the date of acquisition;

Note 6 The deferred tax liabilities were calculated as a consequence of the update of the measurement at fair value of the net assets of Altamira;

Note 7 The tax payables were increased to take account of the result of a tax inspection which was made in the second half of the year and referring to past years.
In the face of said liabilities, the SPA clause can be activated which provides for cover of the seller as a price adjustment measure, upon saturation of the excess provided for in the insurance contract signed for this purpose at the time of acquisition.

The table below shows the cash flows from the acquisition and therefore shows the inclusion of the amount noted above as the price adjustment, which was not present for the last consolidated half-yearly Report as at June, 30 2019.

(€/000)

Breakdown of acquisition cash flows	
Net liquidity acquired with the subsidiary	45,315
Price paid	(221,015)
Price adjustment	4,121
Net acquisition cash flows	**(171,579)**
Refinancing of subsidiary's debt	(184,863)
Total acquisition cash flows	**(356,442)**

Since Altamira was acquired at the end of June 2019, the company only contributed to the net profit of the Group in the second half of the year. In order to understand the economic effects of the acquisition as if it had been acquired at the beginning of the year, please refer to this Directors' Report on the Group regarding the 2019 pro forma operating profit and loss.

doValue Hellas

On April 19, 2019, a new subsidiary was established in Greece. The process involved a number of steps: the first was the acquisition of 100% of the shares of a non-operational but licensed local servicer at a price of €488 thousand, followed by the transfer to the latter of all assets, liabilities and contracts of the doValue Hellas branch, which was simultaneously closed.
The acquisition of the company represented an external business combination, with the recognition of goodwill of €435 thousand.

The transfer of assets and liabilities to the latter represented an internal business combination and therefore all the related effects have been cancelled as part of the consolidation process.
In particular, the transferred assets and liabilities were measured with a fair value valuation of the assets involved in the transaction by an independent third party, which identified the value of the Solar contract entered into with the 4 Greek banks in an amount of €1.1 million, which was eliminated for consolidation purposes.

INTERNAL BUSINESS COMBINATIONS

In addition to the transfer of assets and liabilities between the doValue branch Hellas and the company doValue Hellas, no further internal business combinations were completed in the year.
However, starting from January 1, 2019 the following transactions discussed in the 2018 Consolidated Financial Statements took effect:

- the partial demerger of Italfondiario assets, representing the special servicer operations incorporating the entire loan portfolio managed by Italfondiario, to doValue;
- the contribution to Italfondiario S.p.A. of the doValue unit responsible for master servicing activities and providing support to securitisation vehicles in cash management and corporate servicer activities.

These operations did not have an impact on the consolidated financial statements.

7.2

Business combinations **completed after the end of period**

After December 31, 2019, the doValue Group did not carry out any business combinations.

7.3

Retrospective **adjustments**

In 2019, no retrospective adjustments were made to business combinations carried out in previous years.

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 the doValue Group 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 by the procedure.

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 of the Parent Company and all the subsidiaries, 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

During the period, low-value transactions with related parties of an ordinary nature and lesser importance were carried out, mainly attributable to contracts for the provision of services.
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	Unconsolidated subsidiaries	Associates	Joint ventures	Key management personnel	Other related parties	Total
Trade receivables	-	-	-	-	-	1,065	1,065
Property, plant and equipment	-	-	-	-	-	1,571	1,571
TOTAL ASSETS	**-**	**-**	**-**	**-**	**-**	**2,636**	**2,636**
Trade payables	-	-	-	-	-	123	123
Provisions for risks and charges	-	-	-	-	-	96	96
Other current financial liabilities	-	-	-	-	-	1,517	1,517
TOTAL LIABILITIES	**-**	**-**	**-**	**-**	**-**	**1,736**	**1,736**

(€/000)

Costs/Revenues	Parent Company	Unconsolidated Subsidiaries	Associates	Joint Ventures	Key management personnel	Other related parties	Total
Revenue from contracts with customers	-	-	-	-	-	764	764
Other revenue	-	-	-	-	-	786	786
Administrative expenses	-	-	-	-	-	(1,158)	(1,158)
Financial (Expense)/Income	-	-	-	-	-	(23)	(23)
Depreciation, amortisation and impairment	-	-	-	-	-	(786)	(786)
Provisions for risks and charges	-	-	-	-	-	(1)	(1)
TOTAL	**-**	**-**	**-**	**-**	**-**	**(418)**	**(418)**

With 25.05% of the shares, the **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 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 in accordance with IFRS 16; this case was allocated to 2019 in part under administrative costs (€1.2 million) and in part under amortisation/depreciation (€786 thousand) and borrowing costs (€23 thousand). The capital offsetting items are recognised under property plant and equipment (€1.6 million), under other financial liabilities (€1.5 million) and trade payables (€50 thousand); the Group also carries out IT services for Torre SGR recorded under other revenue for €90 thousand and has trade receivables of €125 thousand;
- Fortress Investment Fund III LP: Altamira Proteus, based in Portugal, carried out due diligence services on the company for a total of other revenue and trade receivables of €139 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;
- Stresa Securitisation: the Group offers master servicing services to the SPV with revenue from contracts with customVerbania Securitisation: the Group offers master servicing services to the SPV with revenue from contracts with customers of €50 thousand and trade receivables of €13 thousand;
- SPV Ieffe: the Group provides debt collection and information services for total revenue of €239 thousand and trade receivables of €42 thousand;
- Reoco: doValue manages property assets for certain Reoco (real estate owned companies), with revenue 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.	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 € 29,500.00

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 the Group expects not to be called upon to return any amount.
The information present in the Group is set out in table form below.

(€)

Type of grant	Amount
Employment Fund	151,763
Contribution relief for work-life balance	212,715
Total	**364,478**

CERTIFICATIONS AND REPORTS ON THE CONSOLIDATED FINANCIAL STATEMENTS

Consolidated 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 Consolidated Financial Statements.

2. The adequacy of administrative and accounting procedures employed to draw up the 2019 Consolidated 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 Consolidated 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 and of the group of companies included in the scope of consolidation;

   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 and of the Legal Entities included in the scope of consolidation, 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 Consolidated Financial Statements

doValue S.p.A.

Consolidated 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

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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 Consolidated Financial Statements

Opinion

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

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group 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 Consolidated Financial Statements* section of our report.
We are independent of doValue S.p.A. (the "Bank" or the "Parent 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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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 Group 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, through the use of management information and reporting systems and procedures and the use of complex processes for the recognition of such activities which are carried out in accordance with the specific clauses set forth in the customers' contracts. These types of revenues, presented in line item "Revenues from contracts with customers" of the consolidated income statement, are attributable to credit service management and to recovery services for approximately 54% of the total, to servicing for securitization transactions for approximately 29% of the total and to contractual real estate services for the residual portion. The aforementioned contracts also provide for detailed rights and obligations of the Group toward counterparties, which can generate potential liabilities deriving from any failure to fulfill the contractual obligations. 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 49% of total invoices to be issued and to 14% of "Total revenue" of the consolidated income statement. 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. The information on the management and recovery fees and the methods adopted for their estimation is reported in sections "Accounting policies", "Consolidated balance sheet" and "Consolidated income statement" of the consolidated explanatory notes.	Our audit procedures in response to the key audit matter, included, inter alia: • an understanding of the process to recognize revenues from servicing contracts with customers (consisting of commission income), contractual costs and related key controls; • conducting compliance tests on the billing process; • 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; • carrying out validity procedures concerning the correct application of the estimation methodology and related assumptions in recognizing fixed and variable commission income; • 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; • analysis of the adequacy of the information provided in the notes to the consolidated financial statements.
Accounting for the business combination of Altamira Asset Management S.A.	
On June 27, 2019, the Parent Company doValue S.p.A. completed the purchase of 85% of the share capital of Altamira Asset Management S.A. ("Altamira") (hereinafter the "Transaction"). The Transaction has been preliminarily accounted for in the consolidated financial statements in accordance with the provisions of the international accounting standard IFRS 3 "Business combinations". At December 31, 2019, the determination and allocation of the purchase price allocation, an activity for which Company management was supported by an independent external consultant, led to the preliminary recognition, inter alia, of goodwill of Euro 138 million, intangible assets of Euro 167 million and brand of Euro 40 million, both with a definite useful life. We have considered the accounting of the Transaction, although preliminary, a key audit matter, due to the significance of the same for the consolidated financial statements as a whole as well as the subjectivity of the assumptions in determining the purchase price allocation, with particular reference to: • the estimate of the fair value of assets and liabilities acquired; • the recognition and measurement of tangible and intangible assets with a finite and indefinite life of the entities acquired; • the recognition and evaluation of goodwill; • the determination of the present value of the exercise price of the purchase options for the minority interests and of the contractually provided earn out; • the recording of the related deferred taxation on the temporary differences	Our audit procedures in response to the key aspect included, inter alia: • validity procedures on the purchase cost also through the analysis of the contractual agreements, to understand the relevant terms and conditions; • examination of the minutes of the meetings of the corporate bodies of the Parent Company during which the Transaction was discussed and resolved; • analysis, with the support of our valuation experts, of the report prepared by the independent external consultant appointed by Company management, of the assessment of the appropriateness of the methodology used and the reasonableness of the assumptions made by the Directors in relation to the process purchase price allocation, as well as the verification of the mathematical accuracy of the related calculations. Finally, we examined the adequacy of the information provided in the explanatory notes in relation to business combinations.

between the book values determined in the purchase price allocation and the related tax values.

The information on the Transaction is provided in sections "Accounting policies" and "Business combinations" of the explanatory notes.

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

The Directors are responsible for the preparation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Parent Company doValue S.p.A. 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 Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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

Certifications and reports on the Consolidated Financial Statements

expressing an opinion on the effectiveness of the Group'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 Group'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 Group to cease to continue as a going concern;

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

- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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 consolidated 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 consolidated 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 Group in conducting the audit.

We confirm that the opinion on the consolidated 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

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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 on the Group and of the Report on Corporate Governance and Ownership Structure of the Group at December 31, 2019, including their consistency with the related consolidated 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 consolidated financial statements of the Group 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 on the Group and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of the Group 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.