

## REPORT OF THE BOARD OF DIRECTORS

Dear Shareholders,

this report describes the legal and economic aspects of the partial demerger of UniCredit Services S.C.p.A., an Italian co-operative joint-stock company, (hereinafter “**UniCredit Services**” or “**Demerged Company**”) in favour of UniCredit S.p.A., an Italian joint stock company (hereinafter also “**Beneficiary Company**”) and, in particular, the criteria and methods that have been applied to determine the exchange ratio of the shares of the companies concerned, in accordance with the provisions of articles 2501-*quinquies* and 2506-*ter* of the Italian Civil Code and article 70, paragraph 2, of the Issuers' Regulations approved pursuant to CONSOB Resolution no. 11971 of 14 May 1999 as amended (hereinafter “**Issuers' Regulations**”).

### 1. REASONS FOR THE TRANSACTION AND DESCRIPTION

#### 1.1. Description of the Demerger

The transaction described in this report consists in the partial, non-proportional and asymmetric demerger of UniCredit Services (hereinafter “**Demerger**”).

The demerger plan, together with the relevant annexes, which are an integral part thereof (hereinafter “**Demerger Plan**”) was approved by the Boards of Directors of UniCredit Services S.C.p.A, and UniCredit S.p.A. respectively on 4 February 2019 and 6 February 2019 and it was filed at the registered offices of the companies and published on the website of both companies.

The Demerger Plan is also attached to this Report as “Annex A”.

Given that a Bank, *i.e.* UniCredit S.p.A., is participating in the Demerger, the authorisation procedure set forth in article 57 of Italian Legislative Decree no. 385/1993 (hereinafter referred to as “**TUB**” - Consolidated Banking Law), described in full in the Bank of Italy Circular no. 229 of 21 April 1999 concerning demerger transactions involving banks, applies. Registration with the Milan-Monza-Brianza-Lodi Register of Companies pursuant to paragraph 3 of article 2501-*ter* of the Italian Civil Code is therefore subject to receipt of the above authorisation.

The Demerger Plan, together with the financial situations set forth in article 2501-*quater* of the Italian Civil Code, as referred to in article 2506-*ter* of the Italian Civil Code (which are respectively the financial statements as at 31 december 2018 of the Demerged Company approved by the shareholders' meeting on [•] 2019 and the financial statements as at 31 december 2018 of the Beneficiary Company approved by the shareholders' meeting on [•] 2019) the financial statements of UniCredit S.p.A. for the financial years 2018, 2017 and 2016 and the financial statements of UniCredit Services for the financial years 2018, 2017 and 2016, are available to the public at the registered office of UniCredit S.p.A. (in Milan, Piazza Gae Aulenti 3 – Tower A) and at the registered office of UniCredit Services (in Milan, at via Livio Cambi 1), and on the internet website of the authorised storage mechanism “eMarketStorage” managed by Spafid Connect S.p.A., and on the website of UniCredit S.p.A. ([www.unicreditgroup.eu](http://www.unicreditgroup.eu)) in section Governance/Corporate Transactions, and on the UniCredit Services website

([www.unicreditgroup.eu/unicreditservices](http://www.unicreditgroup.eu/unicreditservices)) in the relevant section.

## **1.2. Companies participating in the Demerger**

### Demerged Company

The Demerged Company is UniCredit Services S.C.p.A., a co-operative joint-stock company established in Italy with its registered office in Milan, at Via Livio Cambi, 1, registered in the Milan-Monza-Brianza-Lodi Register of Companies, Tax Code and VAT no. 12086630154.

The share capital on the date of this report is 237,523,160 Euro and it is fully subscribed and paid-in.

UniCredit Services S.C.p.A. is a company belonging to the UniCredit Banking Group (the “**Group**”), registered with the Association of Banking Groups (code 2008.1).

### Beneficiary Company

The Beneficiary Company is UniCredit S.p.A., an Italian joint stock company with its registered office and head office in Milan, Piazza Gae Aulenti 3 – Tower A, registered in the Milan-Monza-Brianza-Lodi Register of Companies, Tax Code and VAT no. 00348170101.

The share capital on the date of this report is 20,940,398,466.81 Euro and it is fully subscribed and paid-in.

UniCredit S.p.A. is a bank registered with the Association of Banks and the parent company of the UniCredit Banking Group (Register of Banking Groups: code 02008.1 - Code ABI 02008.1) and member of the Interbank Fund for the Protection of Deposits and the National Guarantee Fund (*Fondo Interbancario di Tutela dei Depositi e al Fondo Nazionale di Garanzia*).

## **1.3. Reasons for the transaction, managing objectives and relevant programmes**

The Board of Directors of UniCredit Services S.C.p.A. and the Board of Directors of UniCredit S.p.A. have been called, respectively on February 4, 2019 and on February 6, 2019, to approve on the opportunity to rationalise the real estate activities and operations activities currently carried out in Italy in favour of Italian customers by the respective departments of the companies involved in the Demerger. With a view to implementing this plan, the above companies agreed to transfer to UniCredit S.p.A. – through a demerger – the compendium of UniCredit Services related to the real estate and operations activities carried out in Italy for the benefit of Italian customers, as better described in paragraph 2 (hereinafter, the “**Compendium**”).

The transfer of the above-mentioned activities to UniCredit S.p.A. would generate benefits in terms of creation of synergies and simplification of procedures and/or complexities reduction and governance enhancement, also through clearer accountability and single budgeting and controlling process.

For the sake of completeness, it should be noted that the “*Global Hubs* “ services (e.g. ICT, Security, *operations* relevant to business carried out abroad), currently provided by UniCredit Services to different Group companies both in Italy and abroad (in addition to UniCredit S.p.A.), are not included in the Demerger, since the relative service model already enables synergies and facilitates the continuity of the provision of such services also in resolution scenario(s), whose consequences might be mitigated by distancing the service provider from the activities eventually impacted.

#### **1.4. Legal aspects of the Demerger**

Given that the Beneficiary Company holds 99.99996% of the share capital of the Demerged Company, the Demerger will be regulated according to the simplified procedure set forth in article 2505-*bis* of the Italian Civil Code, as referred to by article 2506-*ter* of the Italian Civil Code.

For that reason and as set forth in the combined provisions of articles 2505-*bis* paragraph 1 and 2506-*ter* of the Italian Civil Code and in compliance with the procedural simplifications referred to therein, the report of the experts pursuant to article 2501-*sexies* of the Italian Civil Code, as referred to in article 2506-*ter* paragraph 3 of the Italian Civil Code, will not be drafted.

As the above experts’ report will not be produced, to ensure an appropriate exchange ratio, the Demerged Company and the Beneficiary Company have jointly appointed an independent advisor with proven professional experience, identified in PricewaterhouseCoopers Advisory S.p.A. (hereinafter “**Advisor**”), to perform the valuation analyses required to identify the correct value range for the exchange ratio.

Additionally, the Demerger is qualified as non-proportional and asymmetric. It should be noted that a demerger is defined as non-proportional when the shares of the beneficiary company are not allocated to the shareholders of the demerged company taking into account the percentages of the stake in the share capital of the demerged company. While a demerger is defined as “asymmetric” when the shares of the beneficiary company are allocated to some of the shareholders of the demerged company only or in all those cases in which the increase in the stakes held by some shareholders of the demerged company offsets the non-allocation of the beneficiary company’s shares.

In this case, the Demerger will take place without the allocation of the Beneficiary Company’s shares to the shareholders of the Demerged Company, but by reducing the share capital of the latter.

It should be noted that the shares of the Demerged Company will not be allocated to the shareholders of the Demerged Company, but the percentage of the stake of the shareholders in the share capital of UniCredit Services will be increased, against the reduction of the share capital of the Demerged Company solely attributable to the shares of UniCredit S.p.A. that will be annulled on the basis of the Exchange Ratio (as identified and defined under paragraph 3.1 below), reducing the stake of UniCredit S.p.A. in the Demerged Company accordingly.

In light of the above, in the extraordinary shareholders’ meeting, the unanimous approval

of the shareholders of the Demerged Company will be requested as set forth in article 2506, paragraph 2, of the Italian Civil Code.

Moreover, as better described in paragraph 4 hereunder, the shareholders of the Demerged Company are granted the right to have their shares purchased at a price determined according to the criteria applicable to withdrawal.

Finally, the Demerger shall be submitted to the approval of the the Board of Directors of UniCredit S.p.A. as set forth in the provisions of article 23, paragraph 3, of the By-Laws thereof. Unless the shareholders of UniCredit S.p.A. representing at least 5 percent of the share capital request - within eight days from the date the Demerger Plan is registered with the Companies' Register or from publication of the Demerger Plan as set forth in paragraph 3 of article 2501-*ter* of the Italian Civil Code – the resolution approving the Demerger to be adopted by the extraordinary shareholders' meeting as set forth in article 2505, paragraph 3, of the Italian Civil Code, referred to in article 2505-*bis*, paragraph 3 of the Italian Civil Code.

### **1.5. Related-party transaction**

Given the majority shareholding relation between UniCredit S.p.A. and UniCredit Services, the Demerger is a related-party transaction, of lesser relevance, as set forth in the CONSOB Regulations on related-party transactions (approved with Resolution No. 17221 of 12 March 2010, as amended) and Bank of Italy Circular 263/2006 on transactions with associated persons.

The procedure on related-party transactions of the Group, i.e. “Global Policy for the management of transactions with persons in conflict of interest”, (hereinafter, the “Procedure”) provides an exemption for transactions carried out by UniCredit S.p.A. with entities belonging to the Group.

In particular, the deliberative process set forth by the Procedure is not applied to transactions with or between subsidiaries (including subsidiaries that are not wholly owned) of UniCredit S.p.A., if in the counter-party of the transaction there are no interests defined as “significant” under the Procedure.

Therefore, this transaction is not subject to the deliberative process, provided that the information is included in the quarterly reporting to the Related-Party Committee, the Board of Directors and the Board of Statutory Auditors of UniCredit S.p.A. in order to monitor the transaction.

## **2. ASSETS AND LIABILITIES INVOLVED IN THE DEMERGER**

The Demerger consists in the assignment - by the Demerged Company to the Beneficiary Company - of the company's compendium related to “Real Estate” and “Operations” activities areas carried out in Italy for Italian customers, essentially consisting of assets, liabilities, resources, rights, obligations, responsibilities, powers, encumbrances, expectations and, in general, any subjective and substantial situation relevant to “Real Estate” and “Operations” activities.

The Demerged Company will transfer to the Beneficiary Company all the assets and

liabilities relevant to the Compendium at effective date, taking into account, therefore, changes deriving from operational dynamics after 31 December 2018.

In order to maintain unchanged the exchange ratio, as defined in paragraph 3 hereunder, any differences in the Compendium's assets and liabilities consistency which may occur between 31 December 2018, reference date for the financial statement of the transaction, and the effective date of the transaction, due to the ordinary business dynamics and/or to a more precise identification of the items themselves, will be settled through debits and credits between the Demerged Company and the Beneficiary Company. Such settlement will not imply amendments in the net equity consistency of the Compendium transferred to UniCredit. Similarly, any qualitative difference of the assets and liabilities due to the business dynamics will not determine amendments of the net equity of the Compendium. In the event that, due to such differences, a material difference would occur with reference to the financial statement of the Compendium as at 31 December 2018<sup>1</sup>, the financial situation of the Compendium as at the effective date will be submitted to the Board of Directors of the Beneficiary Company and Demerged Company prior to the settlement through debits and credits.

The Financial Statements as of 31 December 2018, described hereunder, were reclassified in line with the format set forth in the Bank of Italy Circular 262.

<b>Balance Sheet</b>			
€ thousands	Real Estate and Logistics		Total (A+ B)
	(A)	Operations (B)	
Financial assets at amortised cost	-	-	19.200
<i>o/w Financial assets at amortised cost to banks</i>	-	-	19.200
Property, plant and equipment	40.120	-	40.120
<i>o/w lands and buildings held for functional use</i>	4.320	-	4.320
Other assets	113.627	8.278	121.905
<i>o/w improvements to third-party assets</i>	101.561	-	101.561
<i>o/w trade receivables</i>	2.420	7.776	10.196
<b>TOTAL ASSETS</b>	<b>153.747</b>	<b>8.278</b>	<b>181.225</b>
Financial liabilities at amortised cost	-	-	58.168
Other liabilities	47.459	21.512	68.971
Provision for employee severance pay	4.713	19.103	23.816
Provisions for risks and charges	2.949	2.092	5.041
<b>TOTAL LIABILITIES</b>	<b>55.122</b>	<b>42.707</b>	<b>155.996</b>
<b>SHAREHOLDERS' EQUITY</b>	-	-	-
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>55.122</b>	<b>42.707</b>	<b>155.996</b>
<b>ASSETS &amp; LIABILITIES OVERHANG</b>	<b>98.626</b>	<b>(34.429)</b>	<b>25.229</b>

On 31 December 2018 the Total Assets of the Compendium amounted to 181.2m Euro,

<sup>1</sup> On the basis of the analysis carried out, the unbalance of the variations in the Compendium's assets and liabilities, deriving from the application of IFRS16 effective from 1st January 2019, is not deemed material in relation to such variations and, therefore, also such unbalance shall be settled through debits and credits.

and consists mainly of:

- Financial assets at amortised cost that include Financial Assets valued at the amortised cost versus Banks, for an amount of 19.2m Euro (estimated taking the average current banking accounts stock of UniCredit Services);
- Property, plant and equipment, essentially attributable to the real estate business and including 4.3m Euro related to a property in Verona, located in the Frugose district;
- Other assets, including (i) improvements to third party assets for 101.6m Euro and (ii) receivables of 10.2m Euro, of which 8.9m Euro receivables from UniCredit S.p.A.

On 31 December 2018, the Total Liabilities of the Compendium amount to Euro 156m and consists mainly of:

- Financial liabilities for approximately 58.2m Euro (estimated considering the estimated liquidity needs for rental fees and payments/ receipts occurred during 4Q2018; the impact of the cost of funding is not significant);
- Other Liabilities for approximately 68.9m Euro mainly due to (i) Trade payables due to suppliers of approximately 32.2m Euro, due to the usual invoice trend and provisions posted at year end; (ii) liabilities related to voluntary leaving incentives payments for approximately 22.7m Euro;
- Provisions for employees severance pay of around 23.8m Euro, mainly related to the “Operations” business;
- Provisions for Risks and Charges of around 5.0m Euro mainly referring to the “Real Estate” business.

The resulting Assets and Liabilities overhang of the Compendium amounts to Euro 25.2m Euro.

It should also be noted that cash and equivalent (classified as financial assets at amortised cost) and financial debt were allocated to the Compendium as a whole, without any allocation between “Real Estate” and “Operations”.

### **3. CRITERIA TO DETERMINE THE EXCHANGE RATIO**

#### **3.1. The exchange ratio determined by the Board of Directors and criteria for the allocation of shares**

Since the Demerger is non-proportional and asymmetric, it will be carried out without allocating shares of the Beneficiary Company, but with a reduction of the share capital of the Demerged Company.

In this context, the exchange ratio will result from the ratio between: (i) the value (fair value) of the Compendium and (ii) the value (fair value) per share of the Demerged Company prior to the Demerger, in order to quantify the shares owned by the Beneficiary Company to be cancelled (“**Exchange Ratio**”), according to the following formula:

$$\frac{\text{value(fair value) of the Compendium}}{\text{value (fair value) per share of the Demerged Company}} = \text{no. of shares to be cancelled}$$

As a result, shares belonging to UniCredit S.p.A. only will be cancelled and the percentage of the shareholding of the minority shareholders of the Demerged Company in the share

capital of the Demerged Company will increase.

Therefore, the Demerged Company will proceed to reduce its share capital by cancelling no. 43,363,745 shares owned by UniCredit S.p.A., against a Book Value Shareholders' Equity in the Compendium of Euro 25,228,581. Accordingly, the share capital of the Demerged Company will decrease from the current Euro 237,523,160 (twohundredthirtysevenmillion fivehundredtwentythreethousands onehundredsixty) to Euro 194,159,415 (onehundredninetyfourmillion onehundredfiftyninethousands fourhundredfifteen).

The transfer of the Compendium will produce effects on the net equity of the Beneficiary Company but the share capital of the Beneficiary Company will be unaffected.

As previously mentioned, to ensure a fair exchange ratio, an Advisor has been appointed to perform a valuation analysis which is necessary to identify the correct value range for the exchange to allow the Boards of Directors of the companies involved in the Demerger to determine the Exchange Ratio to be used in the transaction.

In this regard, it should be noted that, based on the value range identified by the Advisor on the basis of the valuation analyses carried out, the directors of the companies involved in the Demerger have set the Exchange Ratio at the middle value of 43,363,745. The Advisor has also confirmed that the approach taken is appropriate.

### **3.2. Description of the valuation criteria used to determine the Exchange Ratio**

As mentioned above, in order to identify the range of the Exchange Ratio, the Boards of Directors of the companies participating in the Demerger were supported by a common financial advisor.

The Board of Directors, after examining them, shared and adopted the Advisor's methods, assumptions and estimates.

### **3.3. Identification of the valuation method**

For the purposes of determining the fair value of the Compendium as well as the fair value for 100% of the share capital and the per-share value of the Demerged Company prior to the transaction - taking into account the distinctive characteristics of the Demerged Company and the Compendium, as well as the overall context of the transaction as well as any available information - the Advisor applied the unlevered discounted cash flow method (hereinafter, "DCF").

### **3.4. Short description of the valuation method**

The DCF is based on the general notion that the fair value of a company or a branch of a company is equal to the discounted value of the following two elements:

- the cash flows that it will be able to generate over the forecast period;
- the residual value, *i.e.* the value of the business as a whole from the period after the forecast period.

In the approach that considers operating cash flows (unlevered approach), to obtain the economic value of the operating invested capital (Enterprise Value), the operating Free Cash Flow (FCF) is taken into account which is then discounted at the WACC (Weighted Average Cost of Capital). The resulting value is adjusted by the net financial position at the reference date of the valuation, and by the value of any non-operating assets (Surplus Assets) to arrive at the value of the economic capital (Equity Value).

The following formula has been applied to determine the value of the company's economic capital:

$$Equity\ Value = \sum_{i=1}^n \frac{FCF_i}{(1 + WACC)^i} + TV + SA - PFN$$

where:

- *FCF* = free cash flow, or cash flow generated from operating activities
- *WACC*: weighted average cost of capital;
- *n*: explicit forecast period;
- *TV* = Terminal Value (the present value of the residual value), i.e. the value of the cash flows produced beyond the explicit forecast period;
- *SA* = Surplus Assets;
- *NFP*= Net financial position.

Free cash flows, or cash flows from operating activities, accounts for the financial dimension of current operations and they are therefore determined by transforming the operating income produced into the actual cash flows generated from operations. Cash flows from operations are calculated as follows:

+ EBIT  
 - Tax on EBIT  
 =NOPAT  
 + depreciation/amortization  
 +/- change in working capital  
 +/- change in provisions  
 - Investments in operating assets  
 + Disposals of operating asset  
 = Free cash flow

The following formula has been applied to calculate the Terminal Value:

$$Terminal\ Value = FCF_n * (1 + g)/(WACC - g)$$

where:

- *FCF<sub>n</sub>* = sustainable cash flow at the end of the explicit forecast period;
- *g* = growth rate of the business over the long term;

The WACC is defined as the weighted average cost of the company equity and the cost of its debt capital, net of tax.

The formula for estimating WACC is as follows:

$$WACC = Ke * \frac{E}{(D + E)} + Kd * (1 - t) * \frac{D}{(D + E)}$$

where:

- *Ke* = cost of equity;
- *E/(D+E)* = the ratio of equity to total capital employed (risk capital + debt capital);
- *Kd* = cost of debt capital before tax;
- *t* = tax rate ("tax shield");
- *D/(D+E)* = the ratio of debt to the total capital employed (risk capital + debt capital).

The cost of equity (*Ke*) accounts for the expected return, in normal conditions not



influenced by contingent factors, from the sector in which the company operates and it is calculated using the Capital Asset Pricing Model on the basis of the following formula:

$$Ke = Rf + \beta * (Rm - Rf) + Addon$$

where:

- *Rf = risk-free rate, equal to the return on medium to long-term investments in securities such as government bonds;*
- *$\beta$  = “beta” coefficient accounts for the risk and the associated volatility of a company in relation to the market;*
- *Rm - Rf = equity risk premium, which is the additional return required by a risk-averse investor over the return on risk-free assets; it is the difference between the average return on the equity market and the risk-free rate;*
- *The Add-on accounts for the premium for the additional return required by the rational investor investing in small or unlisted companies, which implies that the investment is less liquid.*

The cost of the financial debt (Kd) is the interest rate at which the company assumes it can finance itself. This rate is usually estimated by referring to market rates, incorporating a spread to reflect the bargaining power of companies vis-à-vis their debt providers. The debt cost must be considered net of the tax rate "t", so as to take into account the tax savings generated from the deduction of interest.

### **3.5. Application of the valuation method**

Given that the demerger is partial, non-proportional and asymmetrical, the valuation analyses and, therefore, the use of the DCF involved both the Compendium and the Demerged Company (prior to the effects of the Demerger).

The information for the DCF was based on:

- the balance sheets and income statements of the Compendium and of UniCredit Services at December 31, 2018; and
- from their 2019-2023 forecasts, each of which were based on their projected cost bases and to which mark-ups were applied - by reference sector - which were derived from the benchmarking analysis carried out using publicly available information on a sample of unlisted Italian companies that operate in the respective sectors.

The mark-ups that were derived from the above-mentioned analysis were:

- 14.8% for the ICT sector;
- 11.0% for the “Operations” sector;
- 6.3% for the “Real Estate” sector.

The fair value of the Compendium and the Demerged Company (prior to the Demerger) was calculated as the algebraic sum of the Enterprise Value (EV), the present value of the terminal value (TV), the net financial position (NFP) and the Surplus Assets (SA) at 31 December 2018.

The cash flow discount rate, which corresponds to the weighted average cost of capital (WACC), was determined to be 10.1% for the Compendium and 9.4% for the Demerged Company. The terminal value in both valuations was calculated based on a long-term growth rate of 1.6%. Based on the valuation analyses performed and the sensitivity analyses carried out on the discount rate and the long-term growth rate, a range of fair values was established:

- for the Compendium, between Euro 73.5m and Euro 94.7m; with a median value of Euro 83.5m;

- for 100% of the share capital of the Demerged Company prior to the transaction, between Euro 341.6m and Euro 588.4m; with a median value of Euro 457.1m. The value per share of the Demerged Company prior to the transaction is therefore between Euro 1.4 and Euro 2.5; with a median value of Euro 1.9.

It should be noted that the valuation analyses used to establish the range of the Exchange Ratio were performed according to the homogeneity principle, *i.e.* a consistent assessment of the sources of income and risk so as to identify relative and comparable values of the entities in question.

### 3.6. Documentation

The valuation of the Compendium and of UniCredit Services prior to the Demerger was performed by examining a series of documents and information which include: (i) the balance sheets and income statements of the Compendium and of UniCredit Services as at 31 December 2018, and (ii) the 2019-2023 forecasts of the Compendium and of UniCredit Services, which were based on their respective projected cost bases provided by Management and the mark-ups that resulted from the benchmarking analysis.

### 3.7. Challenges in performing the valuation

Some limitations and difficulties have emerged during the valuation process which can be summarised as follows:

- **Inherent limits in the forecast data:** the determination of the fair value of the Compendium and of UniCredit Services prior to the Demerger was carried out using, *inter alia*, prospective economic and financial data that by their very nature are uncertain; in particular, changes in the macroeconomic environment and/or in the specific sector to which they belong could significantly alter the underlying assumptions and premises of the prospective economic and financial data, which could, therefore, be heavily influenced by them. However, this limitation was mitigated with sensitivity analyses;
- **Complexity of the methodology and discretion in selecting the valuation criteria that were applied:** the valuation method required the application of an elaborate and complex valuation process that involved, above all, the application of various financial market criteria that, by their very nature, are subject to fluctuations that may also be significant. Therefore, the results are dependent on the actual assumptions. The overall methodological approach, together with the use of sensitivity analyses to take into account any possible valuation scenarios, allowed this valuation characteristic to be adequately managed.

### 3.8. Overview of the results of the valuation process and determination of the Exchange Ratio

Without prejudice to the above considerations and assumptions, the application of the above described method has led the Boards of Directors to consider, with the support of the Advisor, the following results of the evaluation process:

Overview of the results	Minimum	Median	Maximum
<i>Fair value</i> Compendium	Euro 73.5m	Euro 83.5m	Euro 94.7m
<i>Fair Value</i> UniCredit Services	Euro 341.6m	Euro 457.1m	Euro 588.4m

<i>Fair Value</i> per share UniCredit Services	Euro 1.4	Euro 1.9	Euro 2.5
Exchange Ratio	# 38,206,120	# 43,363,745	# 51,111,689

Following the outcome of the valuation process, together with the discussions between the parties, the Boards of Directors of UniCredit Services S.C.p.A and UniCredit S.p.A. at their respective meetings of 4 February 2019 and 6 February 2019, approved the Exchange Ratio referred to in the previous section 3.1, in line with the recommendations of the Advisor, according to whom such ratio is consistent with market practice.

#### **4. VALUATION OF THE RIGHT TO WITHDRAW AND THE RIGHT TO HAVE THE SHARES PURCHASED**

First of all, it should be noted that, given the asymmetrical nature of the Demerger, the transaction will require the unanimous approval of the shareholders of the Demerged Company. Furthermore, with regard to the right of withdrawal pursuant to articles 2437 and 2437-*quinques* of the Italian Civil Code, it should be noted that there are no reasons allowing the exercise of such right by the shareholders of the Demerged Company and of the Beneficiary Company who did not take part in the resolution approving the Demerger, also because the Demerger does not involve any amendment to the articles of association of the companies involved in the transaction other than the adjustment of the value of the share capital of the Demerged Company as a result of its decrease.

As stated previously, the minority shareholders of UniCredit Services are granted the right to have their shares purchased by UniCredit S.p.A. for an amount determined in accordance with the criteria for the exercise of the right of withdrawal under article 2437-*ter* of the Italian Civil Code, equal to Euro 1.9 per share (hereinafter, “**Right of Sell-Out**”). In particular, this value has been determined on the basis of the value range identified by the Advisor, with reference to the Fair Value per share of UniCredit Services (prior to the Demerger), opting for the middle value of the fair value range. The criteria used to determine such value received the favourable opinion of the Board of Statutory Auditors of UniCredit Services, as well as of the external auditors.

The minority shareholders of the Demerged Company, should they not agree with the transaction, may exercise their Right of Sell-Out their shares in UniCredit Services to UniCredit S.p.A. starting from the filing date of the Demerger Plan with the Companies' Register of Milan-Monza-Brianza-Lodi and up to and including the fifteenth day prior to the date set for registering the shares for the purpose of exercising their voting rights at the extraordinary shareholders' meeting of UniCredit Services. Such notification shall be made in such a way as to guarantee proof of receipt.

UniCredit S.p.A. is willing to sign the contract for the purchase of the shares of UniCredit Services within 5 days of receiving the above-mentioned notice. The effectiveness of such contract will be subject to the unanimous approval of the Demerger Plan by the shareholders' meeting of UniCredit Services.

Conversely, in the event the shareholder declares his intention to exercise the Right of Sell-Out, but he/she intends to challenge the above mentioned liquidation value, the shareholder must submit his/her objection along with his/her assertion to exercise the Right of Sell-out. The shares will be transferred accordingly within the terms set forth in

the preceding paragraph (*i.e.* within 5 days of receipt of the notice and at the value determined in the Demerger Plan) even though the sales value may be subject to adjustment. The opposing shareholder may, in fact, apply to the Competent Court to appoint an expert who will be called upon to definitively and irrevocably determine the liquidation value within 90 days from the exercise of the aforementioned right, by way of a sworn report. The expert will proceed - also with regard to expenses - in accordance with art. 1349 of the Italian Civil Code. If the liquidation value determined by the expert is higher than that indicated in the Demerger Plan, UniCredit S.p.A. shall pay the shareholder to be liquidated any additional amount to the price already paid. Conversely, if the value determined by the expert is lower, the shareholder in question shall refund the difference to UniCredit S.p.A.

## **5. EFFECTS ON THE COMPOSITION OF THE SHAREHOLDERS OF THE DEMERGED COMPANY AND OF THE BENEFICIARY COMPANY**

The Demerger, as described above, will be carried out without the allocation of the Beneficiary Company's shares to the shareholders of the Demerged Company, but will involve a reduction in the share capital of the latter.

As a result of the Demerger, following the cancellation of the shares held by UniCredit S.p.A., the share capital of the Demerged Company will therefore go from the current Euro 237,523,160 to Euro 194,159,415 and will be distributed among the shareholders of the Demerged Company as follows:

1. shareholder UniCredit S.p.A., owner of n. 194,159,315 shares with a par value of 1 (one) Euro each, for a total par value of 194,159,315 Euro, will be the holder of 99.99994850%;
2. shareholder "UniCredit Bank AG", owner of 20 (twenty) shares with a par value of 1 (one) Euro each, for a total par value of 20 (twenty) Euro, will be the holder of 0.00001030%;
3. shareholder "Fineco Bank S.p.A.", owner of 20 (twenty) shares with a par value of 1 (one) Euro each, for a total par value of 20 (twenty) Euro, will be the holder of 0.00001030%;
4. shareholder "UniCredit Factoring S.p.A.", owner of 20 (twenty) shares with a par value of 1 (one) Euro each, for a total par value of 20 (twenty) Euro, will be the holder of 0.00001030%;
5. shareholder "Cordusio Società Fiduciaria per Azioni", owner of 10 (ten) shares with a par value of 1 (one) Euro each, for a total par value of 10 (ten) Euro, will be the holder of 0.00000515%;
6. shareholder "Cordusio Sim S.p.A.", owner of 10 (ten) shares with a par value of 1 (one) Euro each, for a total par value of 10 (ten) Euro, will be the holder of 0.00000515%;
7. shareholder "Société Générale Securities Services S.p.A.", owner of 20 (twenty) shares with a par value of 1 (one) Euro each, for a total par value of 20 (twenty) Euro, will be the holder of 0.00001030%.

As a result, the majority shareholding relation existing to date between UniCredit S.p.A. and UniCredit Services will essentially remain unchanged.

However, with reference to the ownership structure of the Beneficiary Company, given the fact that the Demerger is being carried out without the issue or allocation of shares in the Beneficiary, there will be no impact on the shareholding structure of the same.

## **6. DESCRIPTION OF THE RIGHTS ASSOCIATED WITH THE SHARES**

As mentioned above, the Demerger does not involve the issue of shares either by the Beneficiary Company or by the Demerged Company. The manner in which it is to be implemented, *i.e.* the reduction of the share capital of UniCredit Services through the annulment of the shares belonging to UniCredit S.p.A., will result into an increase in the minority shareholders' percentage holding of the Demerged Company's share capital.

As a result, the characteristics and rights of the ordinary shares of UniCredit Services - the details of which are set out in the relevant Articles of Association attached to the Demerger Plan - will remain unchanged following the Demerger.

## **7. EFFECTS OF THE DEMERGER ON SHAREHOLDER'S AGREEMENTS**

At the date of this document there are no shareholders' agreements regarding UniCredit shares, pursuant to art. 122, Consolidated Law on Finance, that may be impacted by the Demerger.

## **8. EFFECTIVE DATE OF THE DEMERGER**

The Demerger shall take effect with respect to third parties, pursuant to article 2506-*quater* of the Italian Civil Code, from the date indicated in the Demerger deed which currently is 1 September 2019, which will in any case be subsequent to obtaining authorisation pursuant to article 57 of the Consolidated Banking Law (TUB) and to the last of the dates on which the deed is registered with the Milan-Monza-Brianza-Lodi Companies' Register.

The effects referred to in article 2501-*ter*, first paragraph, number 6, of the Italian Civil Code - as referred to in article 2506-*quater*, second paragraph, of the Italian Civil Code (*i.e.* recording of the transactions to the accounts of the Beneficiary Company) and, more generally, any accounting and tax effects of the Demerger shall take effect from the date on which the Demerger shall become legally effective.

## **9. TAX EFFECTS OF THE TRANSACTION**

The Demerger is considered fiscally neutral for the purposes of corporate income tax pursuant to article 173 of Italian Presidential Decree 917/1986, and is not considered a sale of assets for the purposes of value added tax for services pursuant to article 2, paragraph 3, letter "f") of Italian Presidential Decree 633/1972.