ANNUAL REPORT

at 31 december 2019

rekeep

minds that work

INDEX

GENERAL INFORMATION

REGISTERED OFFICE

Via U. Poli, 4
Zola Predosa (Bo)

BOARD OF DIRECTORS

Appointed by the Shareholders' Meeting
of 13 October 2017

CHAIRMAN
AND CHIEF EXECUTIVE OFFICER
Giuliano Di Bernardo

VICE CHAIRMAN
Giuseppe Pinna

DIRECTORS
Laura Duò
Rossella Fornasari
Paolo Leonardelli
Gabriele Stanzani
Matteo Tamburini

BOARD OF STATUTORY AUDITORS

Appointed by the Shareholders' Meeting
of 13 October 2017

CHAIRMAN

Germano Camellini

STANDING AUDITORS
Marco Benni
Monica Mastropaolo (holding office until 5 June)

ALTERNATE AUDITORS
Michele Colliva (acting as standing auditor from 5 June)
Antonella Musiani

INDEPENDENT AUDITORS

EY S.p.A.

REPORT ON OPERATIONS

for the year 2019

rekeep

minds that work

PREAMBLE

The Report on Operations for Rekeep S.p.A. ("Rekeep") was drafted in accordance with art. 2428 of the Italian Civil Code and, as provided for under art. 40 of Legislative Decree 127/1991, is presented in a single document. Where appropriate, priority is given to issues considered important to the companies included in the scope of consolidation as a whole.

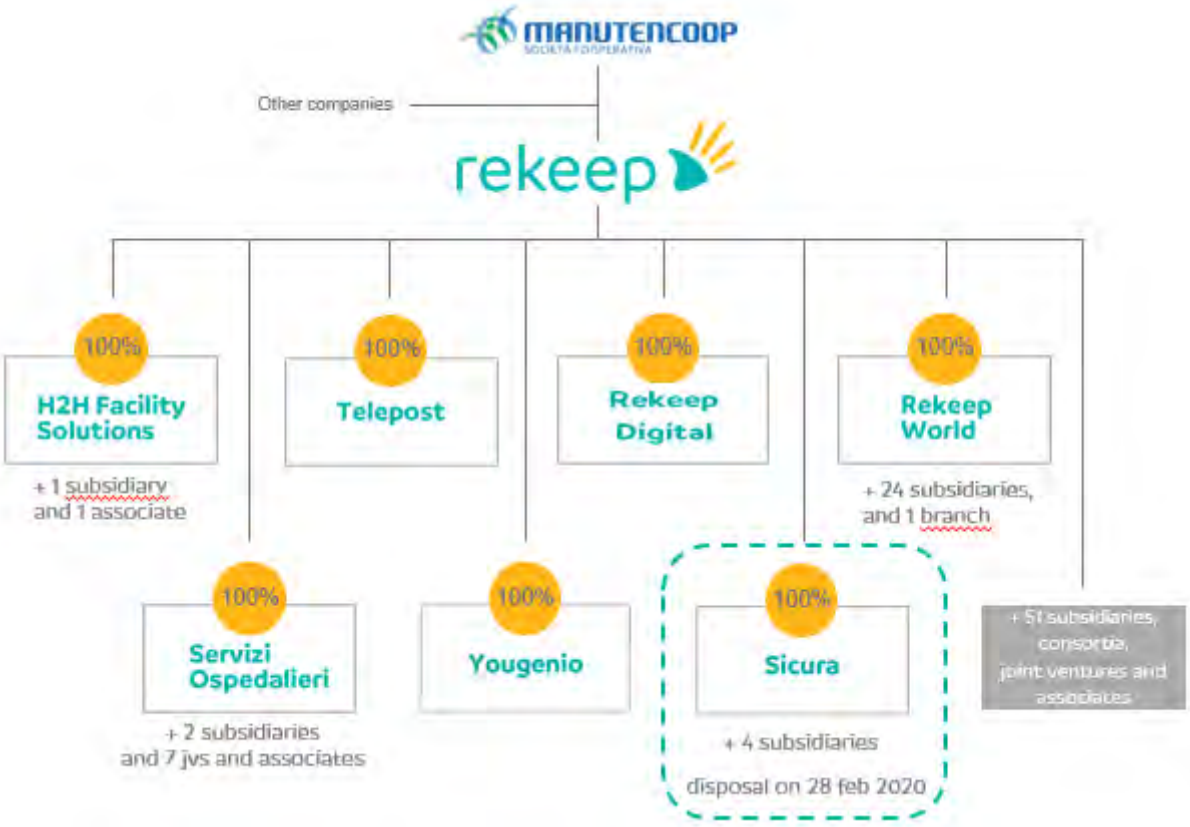
The Rekeep Group is active in the management and provision of integrated services to public and private customers, targeted at properties, the area and to support so-called "Integrated Facility Management" health care activities. At present the Rekeep brand stems from a single operating holding company which combines so-called "traditional" facility management production resources with those related to supporting the whole Group's business. As early as from the previous financial years a strategy has been pursued by the central holding functions to diversify operations, also through a series of corporate acquisitions, with some "specialist" facility management services beside the historical core business (hygiene services, green spaces and technical and maintenance services), in addition to linen rental and industrial laundering services and surgical instrument sterilization at healthcare facilities and high technology B2B services. During 2016 diversification was further boosted in May by establishing Yougenio S.r.l., active in the provision of services to private consumers through an e-commerce platform, which is wholly owned by Rekeep S.p.A.. This event marked the entry of the Group in the market of "business to consumer" (B2C) services. Furthermore, the Group started a major process of business development in international markets from the 2015 financial year, by establishing the sub-holding company Rekeep World S.r.l.. The internationalization process led to the start-up of facility operations in France (through the sub-group controlled by Rekeep France S.a.S.), Turkey (through EOS and Rekeep United Yönetim Hizmetleri A.Ş..) and Saudi Arabia (through Rekeep Saudi Arabia Ltd and Rekeep Arabia for Operations and Maintenance Ltd). Finally, the acquisition of the Polish company Naprzód S.A., the parent company controlling the group with the same name, served to expand and strengthen the Group's market position in the field of facility management in the healthcare sector.

Shareholding structure

Ordinary shares issued by Rekeep S.p.A and fully paid up at 31 December 2019 amounted to 109,149,600 with a par value of Euro 1 each. They are wholly held by Manutencoop Società Cooperativa, which also carries out Management and Coordination activities.

There are no other share classes. The Parent Company does not hold own shares.

The structure of the Group subject to Management and Coordination by Manutencoop Società Cooperativa was as follows at 31 December 2019:


MANUTENCOOP
SOCIETÀ COOPERATIVA
Other companies
rekeep
100%
H2H Facility Solutions
+ 1 subsidiary and 1 associate
100%
Telepost
100%
Rekeep Digital
100%
Rekeep World
+ 24 subsidiaries, and 1 branch
100%
Servizi Ospedalieri
+ 2 subsidiaries and 7 jvs and associates
100%
Yougenio
100%
Sicura
+ 4 subsidiaries
disposal on 28 feb 2020
+ 51 subsidiaries, consortia, joint ventures and associates

MACROECONOMIC AND MARKET SCENARIO

The contraction in international trade and the weakening in world growth continued in 2019. The global economy recorded the lowest growth rate of the decade owing to the sharp deceleration in trade and the considerable uncertainties regarding economic and commercial policies. Particularly crucial were the restrictions on trade between the United States and commercial partners, mainly China, and geopolitical tensions.

2019 was the tenth consecutive year of GDP expansion, although at a relatively moderate rate (2.3%) in the United States. On the whole, the trends of consumption, net exports and public expenditure appeared to be in line with those of the most recent years, while private investment dropped considerably. In 2019 Chinese growth stopped at 6.1%, the lowest figure since 1990, owing to a slowdown in manufacturing; the industrial sector felt the effects of the deceleration of international trade in addition to commercial disputes with the United States. Economic activity in the other BRICS countries (Brazil, Russia, India and South Africa – in addition to China) was also at a relatively low level. GDP in Venezuela and Argentina went on falling in 2019.

2019 closed with a +0.1% GDP in the Eurozone. Economic activity was held back by the weakness of the manufacturing sector, which was particularly marked in Germany in spite of a higher performance than expected in November 2019; the risk remains that this will also affect growth in services, which has remained more solid until now. The economic trend also affects inflation, which Eurosystem projections show to be sustained by monetary stimulus but is forecast to remain lower than 2% over the next three years. The ECB Governing Council has confirmed that the present accommodating policies have to be maintained.

Economic activity increased marginally in Italy in the third quarter of 2019, but remained more or less stationary in the fourth, still affected by the weakness of the manufacturing sector above all, while services rose slightly and construction also recovered a little ground. GDP recorded a cyclical fall; average growth came to 0.2% in 2019 compared to 0.9% in 2018. Investments in capital goods, however, rose, also thanks to the reintroduction of tax incentives in April 2019; businesses, in fact, reported slightly more expansive accumulation plans in the first three quarters of 2019, with an increasing investment rate (21.4% in the third quarter of 2019). Additionally, conditions in the labour market improved significantly in 2019, with a 0.7% rise in pay compared to the previous year. The trend of the labour market gave signs of a certain resistance to the slowdown in activity, but gradually lost momentum. The rise in employment was lower in 2019 (+0.7%). The unemployment rate dropped from 10.6% in 2018 to 10.0% in 2019, also owing to the entry of applicants for the citizen's basic income into the labour market.

The forecasts for 2020 do not seem to suggest a change of climate. Risk factors pointing very strongly downwards loom over the macroeconomic scenario could affect the world stage and consequently Italy too. The main risk today is Coronavirus, whose scope, however, it is not easy to estimate given the rapid and still ongoing spread of this infection in many countries other than China. At the moment a global recession cannot be ruled out if the effects of the contagion slow down or paralyse industrial production and international trade. Then there is Brexit, which is not certain to take place in an orderly fashion, in addition to risks of possible geopolitical instability (especially in the Middle East), and environmental risks. If any of these factors develop unfavourably, they could heighten volatility in raw materials and currency markets with effects on international growth, exports and Italian investments.

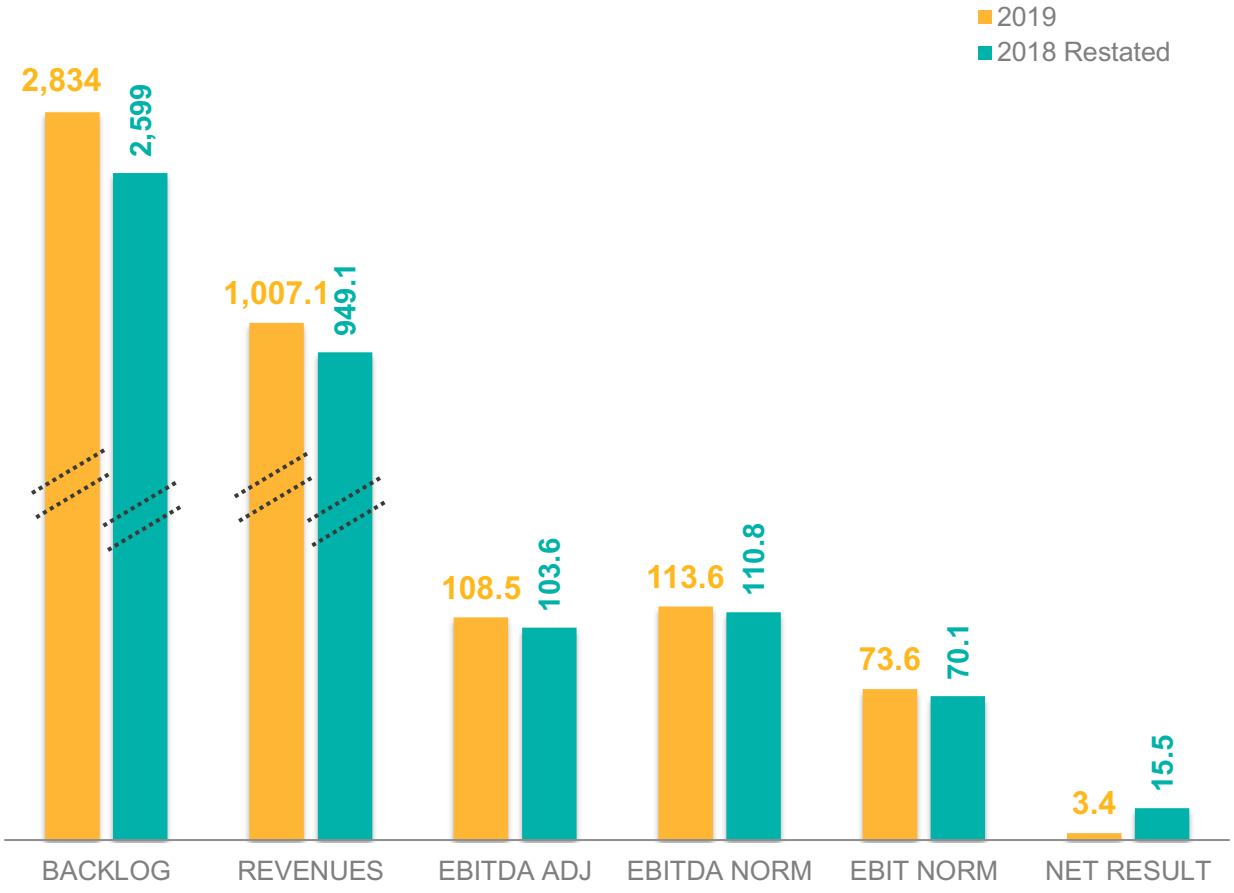
NON-GAAP FINANCIAL MEASURES

The Rekeep Group's management monitors and assesses the business performance, as well as the consolidated results of operations and cash flows by using a number of financial ratios that are not defined under the international accounting standards IAS/IFRS ("Non-GAAP measures") and that are specified below. The Group's management considers that these financial ratios, which are not explicitly expressed in the accounting standards adopted to prepare the Consolidated Financial Statements, provide information which helps to understand and assess its overall financial and equity performance. These are widely used in the sector in which the Group operates but might not be directly comparable with those utilised by other companies, nor are they intended to replace the economic and financial performance ratios prepared in the application of the international accounting standards IAS/IFRS.

	Definition
Backlog	The Backlog is the amount of contract fees not yet accrued and connected with the residual term of orders, which are held by the Group in the backlog
Financial Capex	Financial capex is the net expenditure on the acquisition of equity investments on business combinations and on grants of long-term loans.
Industrial Capex	Industrial CAPEX are defined as the purchase of (i) Property, plant and equipment, (ii) Property, plant and equipment under lease and (iii) other intangible assets.
NWC	Consolidated Net Working Capital (NWC) is defined as the consolidated NWOC which is added the amount of other operating assets and liabilities (other current assets, other current liabilities, current tax receivables and payables, current provisions for risks and charges).
NWOC	Consolidated Net Working Operating Capital (NWOC) is composed of "trade receivables and advance to supplier" and "inventories", net of "trade payables and contract liabilities".
DPO	DPO (Days Payables Outstanding) is a weighted average of days for payment of consolidated trade payables calculated as the ratio of trade payables, net of VAT on the amounts already received from the supplier, and costs over the last 12 months related to external production factors (included the capex) multiplied by the days of the reference period.
DSO	DSO (Days Sales Outstanding) is a weighted average of days for collection of consolidated trade receivables calculated as the ratio of trade receivables, net of VAT on the amounts already billed to customers, and revenues over the last 12 months multiplied by the days of the reference period.

	Definition
EBIT	EBIT represents the Profit (Loss) before taxes gross of: i) Financial charges; ii) Financial income; iii) Dividend and income (loss) from sale of investments; iv) Share of net profit of associates; v) Profit (loss) on exchange rate. The Statement of Profit or Loss shows EBIT as "Operating Income".
EBITDA	EBITDA represents the Operating Income before allocations to the accrual of provisions for risks and amortization/depreciation, write-downs and write-backs of assets. EBITDA is a measure used by the Company's management to monitor and assess its operating performance and it is not identified as an accounting measure under IFRS. Therefore, it must not be considered an alternative measurement for evaluating the trend in the Group's profit/loss. Given that the breakdown of EBITDA is not regulated by the accounting standards, the calculation criteria applied by the Group may not be comparable.
Adjusted EBIT or EBITDA	Adjusted EBITDA and Adjusted EBIT do not include non-recurring elements recorded in the consolidated Statement of Profit/Loss for the year, as described in paragraph "Non-recurring events and transactions".
Revenues, Normalized EBITDA or EBIT	Normalized values represent Adjusted measures that also exclude the contribution to the consolidated profit/loss of the start-up activities relating to the subsidiary Yougenio S.r.l. and to the sub-group controlled by Rekeep World S.r.l..
Gross Debt	Gross Debt is defined as the sum of debts for principal referring to: i) Senior Secured Notes; ii) Bank debts; iii) Current bank overdraft, advance payments and hot money; iv) Obligations arising from assignments of trade receivables with recourse; v) Financial lease obligations.
LTM (Last Twelve Months)	LTM values relate to the economic values or financial flows identified in the last 12 months, or in the last 4 financial reporting years.
Net Cash	Net Cash is defined as the balance of "Cash and cash equivalents" net of: i) Bank overdrafts, advance payments and hot money; ii) Obligations arising from assignments of trade receivables with recourse.
Net Debt	Net Debt is defined as Gross Debt net of the balance of Cash and cash equivalents and Current financial assets.
NFP	Consolidated Net Financial Position represents the balance of Long-term debt, Derivatives, Bank borrowings (including current portion of long-term debt) and other financial liabilities, net of the amount of receivables and other current financial assets and Cash and Cash equivalents. When it is negative, it is equivalent to the "Net Financial Indebtedness".

	Definition
Adjusted NFP and NWOC	Adjusted NWOC and Adjusted NFP include the balance of the trade receivables assigned in the framework of the previous years' assignment without recourse programmes and not yet collected by the factoring companies.



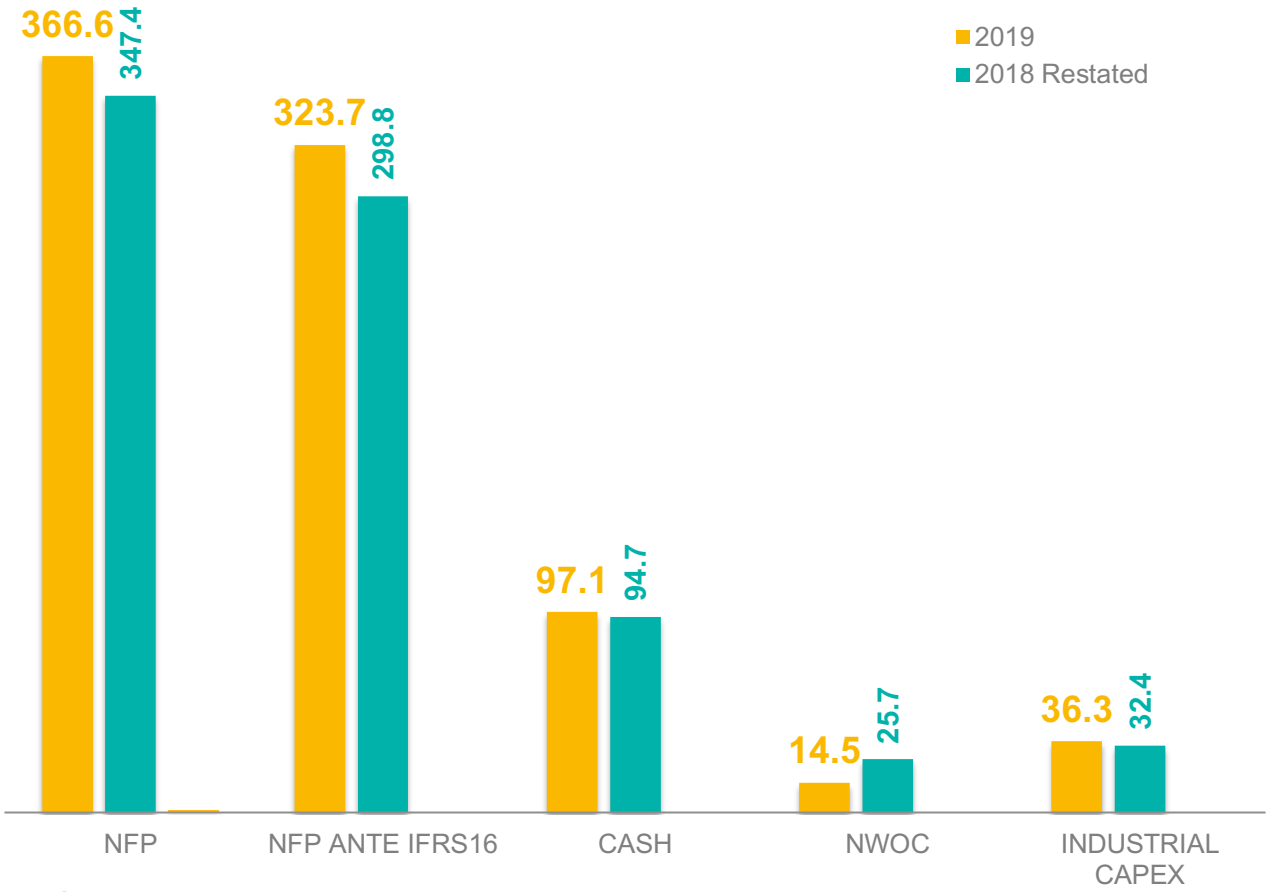
BACKLOG/ REVENUES LTM
2.8x
vs 2.7x at 31/12/2018

REVENUES
+6.0%
vs 31/12/2018

EBITDA/ REVENUES
10.1%
vs 10.4% at 31/12/2018 Restated

EBITDA NORM/ REVENUES
11.7%
vs 11.8% at 31/12/2018 Restated

EBIT NORM / REVENUES
7.6%
vs 7.5% at 31/12/2018 Restated



NFP BEFORE IFRS16 / EBITDA NORM BEFORE IFRS16
3.1x

CASH
97.1 mln
vs 94.7 mln at 31/12/2018

NET CASH
66.5 mln
vs 71.1 mln at 31/12/2018

NWOC / REVENUES
1.4%
vs 2.7% 31/12/2018

REPORT ON OPERATIONS

PREAMBLE ON THE ADOPTION OF THE NEW ACCOUNTING STANDARD IFRS16

The Group adopted some newly-issued IFRS with effect from the beginning of the 2019 financial year. Specifically, it was necessary to carry out an in-depth analysis following the first-time adoption of IFRS 16 – Leases, which allowed the assessment of the potential impact on the financial position, results of operations, cash flows and disclosures reported in the Consolidated Financial Statements as from the 2019 financial year. Furthermore, a careful assessment was started in relation to the operational impact that this accounting transition would entail on the Group's administrative processes.

According to the previously applicable accounting rules, the "operating" lease cost was accounted for in the Statement of Profit/Loss for the period, as "Cost for use of third-party assets", according to the matching principle and based on its accrual for the time being, thus directly impacting on EBITDA and EBIT. The impact on the business cash flows was then accounted for as "Cash flow from current operations" in the Statement of Cash Flows. Furthermore, the accounting standard IAS 17 provided for the financial method to be adopted for "finance" leases only, thus recognising the asset among balance sheet assets (and recognising accordingly any related amortization and depreciation) and the financial liability arising from future lease payments among balance sheet liabilities, as an increase in net financial debt. Moreover, any related accrued financial costs were accounted for during the period of financial amortization of this liability.

The new accounting standard IFRS 16 has introduced significant changes concerning the method to account for operating leases, providing for the recognition of the liability arising from leases that were previously classified as operating leases in applying IAS 17. The main cases of operating leases identified by the analysis concern:

- property leases for the Group's offices;
- long-term hire for the corporate fleets of the Group companies;
- other forms of hiring of equipment used in the performance of some work contracts.

The analysis conducted upon first-time adoption in the Consolidated Financial Statements highlighted, first of all, the need for the evaluation of an appropriate marginal discount rate, which was differentiated by type of hiring (property leases, long-term hire and hiring of business equipment), as well as by average term and allocation of costs relating to these contracts (head office functions and/or each line of business).

The accounting method applied to transition is the "Modified retrospective approach", which does not provide for the mandatory restatement of comparative information. The lessee must instead recognize the cumulative effect of the first-time adoption of the standard as an adjustment to the opening balance of profits carried forward as at 1 January 2019.

However, with a view to better understanding the changes that were reported during the financial periods under comparison, the comparative balance sheet values at 31 December 2018 and the income and cash flows for the 2018 financial year have been restated in this Report in Operations in order to take account of the amendments to the accounting standard described above.

Since the work to analyse the adoption of the accounting standard and to set discount rates was completed during the year, the balance sheet values at 31 December 2018 have been reviewed with respect to the previous quarterly Interim Reports, in order to ensure a more accurate calculation of comparative effects.

The effects of the adoption of the new standard on the main KPIs used by the Group for the assessment of its own performance in terms of results of operations and cash flows are summarised below.

	31 December 2018 approved	Accounting effects of IFRS16	31 December 2018 restated
EBITDA	89,455	9,717	**99,172**
Adjusted EBITDA	93,843	9,717	**103,560**
Normalized EBITDA	101,309	9,539	**110,848**
EBIT	55,749	1,759	**57,508**
Adjusted EBIT	60,137	1,759	**61,896**
Normalized EBIT	68,394	1,739	**70,133**
Net financial charges	(32,946)	(2,294)	**(35,240)**
Consolidated Net Profit (Loss)	15,843	(386)	**15,457**

	31 December 2018 approved	Accounting effects of IFRS16	31 December 2018 restated
Consolidated Equity	165,492	(2,283)	**163,209**
Net Financial Indebtedness	298,788	48,602	**347,390**

2019 SIGNIFICANT EVENTS

During 2019 management activities continued as part of the SBUs in which the Group operates.

At the same time, during the fourth quarter, the subsidiary Rekeep World carried out a major international transaction, acquiring 80% of the capital of the leading operator in the healthcare market for soft facility management services in Poland (the Naprzód sub-group), while in Italy the foundations were laid for enhancement through the disposal of an asset (the sub-group controlled by Sicura S.p.A.) which was considered no longer strategic because it was not in synergy with the Group's core business. The disposal mentioned above then took place in February 2020, thus freeing up resources to be reinvested in the core business in Italy and in the development in international markets.

As regards the performance in terms of results of operations the fourth quarter closed by further confirming the revenue growth trend which had characterized the last 7 quarters, even if we exclude the contribution given by the newly-acquired Polish Naprzód sub-group which contributed to consolidated revenues for 2 months in 2019 (for an amount of € 19.2 million). Consolidated revenues thus exceeded € 1 billion, coming to € 1,007.1 million in 2019, up by € 57.2 million compared to 2018 (+ 6.0%). Profit margins also were on the rise: Adjusted EBITDA was equal to € 108.5 million in 2019 (of which € 1.1 million arising from the contribution of 2 months of the Adjusted EBITDA by the Polish Naprzód sub-group) against € 103.6 million in 2018 (as restated to take account of the first-time adoption of IFRS 16).

As regards the financial performance, the 2019 financial year closed with a net financial indebtedness of € 366.6 million, of which an amount of € 37.5 million related to the acquisition of the Polish Naprzód sub-group, up by € 19.2 million compared to 31 December 2018 (as restated to take account of the first-time adoption of IFRS 16) against an operating working capital that decreased from € 25.7 million to € 14.5 million (of which an amount of € 10.9 million arising from consolidation of the Naprzód sub-group).

Business development

In 2019 the Group brought orders for an overall multi-year amount of € 727 million, of which € 395 million relating to extensions and renewals of contracts already included in its sales portfolio and € 332 million relating to the development of a new portfolio. The orders that were gained through the business combination which led to the acquisition of the Polish Naprzód group totalled about € 27 million. The new portfolio also includes the orders relating to subsidiary H2H Cleaning S.r.l., which acquired a business unit concerning hygiene services in the Private market in 2019 (€ 7 million).

As in the past, these data regard only long-term contracts obtained in the context of services for “traditional” facility management”, for linen rental and for laundry services as well as for the sterilization of surgical instruments, as well as of “B2B” technology services of Rekeep Digital S.r.l. (formerly e-Digital Services S.r.l.). On the contrary, the figure does not include the commercial portfolio of the companies of the sub-Group owned by Sicura S.p.A., whose contracts have an average term of less than one year. However, the company was sold in early 2020 and, therefore, will not contribute to future consolidated results.

New contracts in the Healthcare sector, equal to € 450 million in the year (equal to 62% of total orders gained), against orders gained for the Public sector for € 154 million (21% of the total) and in the Private sector for € 123 million (17% of the total). In

terms of Strategic Business Unit ("SBU"), Facility Management obtained contracts of € 676 million (of which € 33 million in international markets) while Laundering&Sterilisation obtained contracts of € 51 million.

In the Healthcare market the Group further gained orders under the MIES 2 agreement, thus being awarded additional services at Health Care Units (ASL) in Veneto and Lombardy. Among other significant major acquisitions note, during the year, the project finance relating to the completion and 20-year term operation of the new hospital in Alba-Bra in Piedmont, in addition to the signature of an additional deed for the new Hygiene and Maintenance services at the San Gerardo Hospital in Monza, which was already operated by the Group on a project finance basis. Furthermore, contracts were renewed for energy services that were already included in the portfolio at ESTAR Toscana.

The subsidiary Servizi Ospedalieri S.p.A., among others, renewed laundering and sterilization service contracts at the New Hospital in Lucca.

Furthermore, in the Public market, work continued on the signature of energy service agreements with the Municipal Government of Bologna. Furthermore, some group companies were awarded the contract for road network maintenance services in Bologna. Finally, Rekeep Rail S.p.A. extended the contract for on board train cleaning services for Campania 2, Molise and Lombardy lots.

In the Private sector note the orders gained for cleaning and logistics services at the Michelin plants in Lombardy. Cleaning service contracts were also renewed with the SACMI S.C. offices and in the Carrefour and Coop Alleanza 3.0 supermarket network.

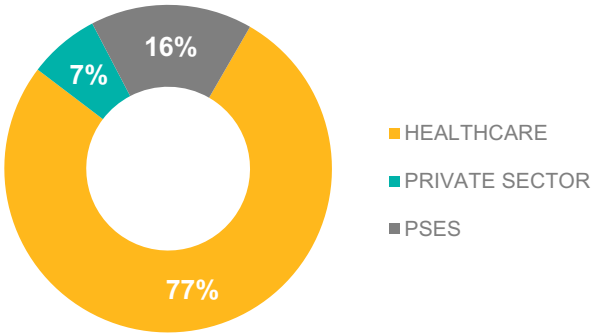
In international markets note, in France, new orders gained for soft-facility agreements at the Engie Group buildings and with SIAAP Water, a Parisian water treatment company, through subsidiary Rekeep Facility S.a.s. Furthermore, orders for cleaning services were gained for MetroCity AVM, a modern shopping centre in Istanbul in Turkey.

The **Backlog** i.e. the amount of contractual revenues related to the residual duration of the job orders in the portfolio at that date, is expressed below in millions of Euro:

	2019	2018	2017
Backlog	2,834	2,599	2,608

At 31 December 2019, **Backlog** came to € 2,834 million, up by € 235 million compared to the value reported at the end of the previous year (€ 2,599 million). The Backlog/Revenues ratio showed an improvement (equal to 2.8x at 31 December 2019 against 2.7x at 31 December 2018). The contribution to the backlog arising from to the acquisition of Naprzód was equal to € 196 million.

BACKLOG BY MARKET



Buy-back transactions of the Notes issued in 2017

In early 2019 Rekeep S.p.A. formalized the purchase of portions of its bond issue on the open market for a nominal total of € 10.3 million. The weighted average repurchase price was less than 85% against a price for the issue equal to 98% at 6 July 2017. These transactions entailed the recognition of financial capital gains, net of related fees, equal to € 1.6 million through consolidated profit or loss in 2019.

Acquisition and disposal of shareholdings in 2019

On 18 December 2018 H2H Cleaning S.r.l., which was established by H2H Facility Solutions S.p.A. in November 2018, signed with Eraclya Società Cooperativa a business unit lease agreement concerning the provision of environmental hygiene, concierge, porterage and other general services for private customers, mainly located in the Triveneto, Piedmont, Lombardy and Lazio regions. The business unit lease became effective from 1 January 2019 and will have a term of 4 years, subject to a call option which may be exercised from the 45th month from the effective date of the lease, at a price calculated as a multiple of the business unit value, net of lease rentals already paid. Specifically, the business unit, which expressly excludes public contracts, is made up of sales contracts in place with private customers as at the date of execution and employment contracts with 1,142 people, as well as of procurement contracts relating to the leased business unit.

On 3 July 2019, the subsidiary Sicura S.p.A. acquired 80% in the capital of Emmetek S.r.l., a company specialized in the design, prefabrication and installation of pumping stations, water reserves for fire-fighting purposes, hydrant networks and extinguishing systems, as well as in routine and non-routine maintenance of extinguishing systems with various types of extinguisher and pump units. The Company, the head office of which is located in Ferrara, mainly operates in Northern Italy (in particular in Veneto and in Emilia-Romagna) and recorded a consolidated turnover of € 3.7 million and EBITDA of € 1 million at 31 December 2018. The

transaction was completed by paying an overall consideration of € 5.6 million, upon the execution of a quotaholders' agreement, including put and call options on the remaining 20% of the capital, which may not be exercised before the approval of the acquiree's financial statements at 31 December 2021.

On 25 September 2019 Rekeep S.p.A. signed an investment agreement for the acquisition of 80% of the share capital of the Polish company Naprzód S.A., the parent company of the Polish group with the same name, which mainly operates in the healthcare sector where it provides facility management services (in particular cleaning and disinfection, including specialist hospital services for the maintenance of areas and medical tools, and assistance to the patient in the arrangement of beds, as well as in transport, operations and medical procedures), catering and medical transportation services, including outsourcing services, ambulance hire, security in mass events and the transport of disabled people.

The acquisition was completed on 30 October 2019 through subsidiary Rekeep World S.r.l. against a closing price of € 18.3 million, of which an amount of € 11.2 million was paid on the closing date.

This intensifies the international growth of the Rekeep Group, which strengthens its objective of geographical diversification through local awards and partnerships with companies with management recognized in each country. The acquisition results in a significant creation of value between the two Groups through synergies, cross-selling and operational efficiency, thus enabling the Rekeep Group to immediately position itself as a leading company in Poland in the field of facility management in the healthcare sector. The transaction will also give Naprzód access to a vast know-how on services it does not provide at present (maintenance, heat management, linen rental and industrial laundering and sterilization, etc.), with a further improvement in its market position in Poland.

Finally, on 12 December 2019 Rekeep S.p.A. sold 61% of the investment held in Elene Project S.r.l. to MFM Capital S.r.l., for a consideration of € 163 thousand, at the same time as the transfer of the shareholder loan equal to € 0.7 million. Furthermore, a minority interest of 1.0% was maintained, the value of which (€ 2 thousand) has been stated among "Other investments."

Assets held for sale

On 13 February 2020 the binding agreement was signed for the sale of the total share capital of Sicura S.p.A. to Argos Wityu, a pan-European Private Equity fund. The transfer of the investment was executed on 28 February 2020 for a consideration equal to € 55,041 thousand. On the same date, Rekeep S.p.A. acquired 5.96% of EULIQ VII S.A., a company with registered office in Luxembourg, which directly controls AED S.r.l, with the aim to maintain an industrial partnership with the group controlled by Sicura S.p.A..

Pursuant to IFRS5, as at the reporting date of the Consolidated Financial Statements at 31 December 2019, the value of the assets of the sub-group controlled by Sicura S.p.A. (€ 70.5 million) and the associated liabilities (€ 26.9 million) was reclassified under "Assets held for sale" and "Liabilities directly associated to assets classified as held for sale." Given a market value that is recognized as higher than the carrying amount of the investment itself, no impairment has been reported for fair value adjustments.

1. SUMMARY OF RESULTS OF THE FOURTH QUARTER OF 2019

	For the quarter ended 31 December			For the financial year ended 31 December		
	2019	2018 restated	%	2019	2018 restated	%
Revenues	286,966	263,138	+9.1%	1,007,082	949,882	+6.0%
Adjusted EBITDA (*)	30,114	27,377	+10.0%	108,471	103,560	+4.7%
Adjusted EBITDA % of Revenues	10.5%	10.4%		10.8%	10.9%	
Normalized EBITDA (*)	30,204	29,505	+2.4%	113,576	110,848	+2.5%
Normalized EBITDA % of Normalized Revenues	13.3%	13.0%		11.7%	11.8%	
Adjusted EBIT (*)	17,617	15,890	+10.9%	66,412	61,896	+7.3%
Adjusted EBIT % of Revenues	6.1%	6.0%		6.6%	6.5%	
Consolidated Net Profit (Loss)	(2,513)	5,429		3,350	15,457	

In the fourth quarter of 2019 the Group recorded ***Revenues*** of € 287.0 million compared to € 263.1 million in the same period of the previous year, with a positive change (+ € 23.8 million, of which € 19.2 million arising from the consolidation of the newly-acquired Polish Naprzód sub-group for 2 months), which further strengthened the growth trend in volumes. This positive change was mostly recorded in the Healthcare market (+ € 19.8 million), where Naprzód achieves its total revenues (€ 19.2 million relating to October and November 2019), but also to a lesser extent in the Public market (+€ 5.1 million) and in the Private market (+ € 3.2 million). The Public market benefitted, compared to the fourth quarter of 2019, from an increase in revenues arising from the start-up of work on contracts in international markets, as well as from adjustment items unrelated to the operations for the period, while the Private market recorded a further improved performance of revenues of H2H Cleaning S.r.l. and the development of logistics operations in the sector of large-scale retail trade, which were started from the 2019 financial year only.

In terms of Strategic Business Units ("SBUs"), the *Facility Management* SBU's Revenues showed the main positive change (+ € 21.5 million, equal to 9.3%) in the quarter, of which an amount of € 21.2 million was achieved in international markets. These also include the amount of € 19.2 million arising from the acquisition of Naprzód.

The recovery in the Revenues achieved by the *Laundering&Sterilization* SBU was confirmed during the fourth quarter of 2019 too, showing an increase of € 2.6 million mainly due to the start of operations under a new contract for the supply of surgical kits to the Friuli Regional Government during the year and thanks to the growth in volumes of subsidiary Medical Device.

(*) Adjusted and Normalized economic figures are described in the following paragraph "Non-recurring events and transactions".

Adjusted EBITDA for the fourth quarter of 2019 came to € 30.1 million against € 27.4 million for the same period of the previous year, with profit margins that increased from 10.4% in the last quarter of 2018 to 10.5% on revenues by segment for the fourth quarter of 2019. In particular, the *Facility Management* SBU achieved EBITDA of € 18.8 million, which was however affected by *non-recurring costs* in the fourth quarter of 2019 only for € 2.9 million (of which an amount of € 2.4 million arising from the major non-recurring operations during the period, such as the acquisition of Naprzód and the sale of Sicura); after excluding these costs, the segment Adjusted EBITDA came to € 21.7 million in the quarter, up by € 1.3 million compared to the segment Adjusted EBITDA in the same quarter of 2018, when the segment EBITDA amounted to € 20.5 million, which was affected by a net positive impact of non-recurring items for € 0.1 million. The improvement of € 1.3 million referred to above was attributable to the 2-month consolidation of Naprzód's EBITDA for € 1.1 million, while the Facility Management operations maintained a good performance in terms of gross operating margin in business continuity. The segment EBITDA of the *Laundering&Sterilization* SBU showed, in the fourth quarter of 2019, an increase of € 1.0 million, which would amount to € 1.3 million after taking account of non-recurring costs of € 0.3 million, arising from business reorganisation transactions, which were recorded during the last quarter of the year (no segment non-recurring costs were recorded during the fourth quarter of 2018). The segment Adjusted EBITDA increate in fact from € 7.1 million (equal to 21.6% of related revenues) in the last quarter of 2018 to € 8.4 million (equal to 23.8% of segment revenues) in the quarter ended 31 December 2019.

Adjusted EBIT of the quarter ended 31 December 2019 came to € 17.6 million (6.1% of related Revenues), up by € 1.7 million compared to € 15.9 million (6.0% of related Revenues) in the same period of the previous year. The trend was affected, in absolute terms, by the performance already reported for Adjusted EBITDA (+ € 2.7 million), which was partially offset by higher accruals to provisions for risks for € 0.9 million, net of releases.

Against consolidated EBIT in the fourth quarter, which decreased by € 1.6 million between 2018 and 2019, the fourth quarter of 2019 recorded lower net financial costs for € 1.1 million against a deterioration of e 0.7 million in the result posted by equity-accounted investments during the quarter. EBIT thus came to € 3.3 million in the fourth quarter of 2019, while it amounted to € 4.5 million in the fourth quarter of 2018 (-€ 1.2 million). Income taxes totalled € 5.8 million for the quarter ended 31 December 2019, while they showed a profit of € 0.8 million for the quarter ended 31 December 2018, due to an amount of € 6.1 million of lower current IRES and IRAP taxes reported following the presentation of the supplementary returns of Forms Unico SC 2014 – 2018. As a result, the quarter ended 31 December 2019 closed with a negative **Consolidated Net Result**, equal to a loss of € 2.5 million against a profit of € 5.5 million for the quarter ended 31 December 2018.

	31 December 2019	30 September 2019	31 December 2018 restated
Net Working Operating Capital (NWOC)	14,352	49,238	25,749
Net Financial Position (NFP)	(366,627)	(367,613)	(347,390)

From an equity and financial point of view, the figure relating to Net Working Operating Capital (**NWOC**) at 31 December 2019 recorded a decrease both normally compared to the value posted in the previous quarter (- € 34.9 million), and compared to the value posted at the end of the previous year (- € 11.4 million). In particular, there was the recognition of lower trade receivables (despite higher volumes of revenues) for € 5.4 million and higher trade payables (consistently with higher volumes of purchases during the year) for € 6.4 million compared to those posted at the end of the previous year, against a Net Financial Position (**NFP**), which recorded a negative change of € 19.2 million during the year. However, it should be noted that the net financial position was affected by an overall effect of € 37.5 million at 31 December 2019, arising from the acquisition of 80% of the Polish Naprzód sub-group which took place on 30 October 2019.

During the fourth quarter of 2019 assignments of trade receivables without recourse were made to factoring companies for an overall amount of € 72.3 million, as were assignments of VAT receivables without recourse for € 6.7 million. At 31 December 2019 DSO was 161 days (2 less than 163 days at 30 September 2019 and 8 much less than 169 days at 31 December 2018), showing a new historical low in the time employed by the Group to collect amounts. The performance of the DPO, which stood at 235 days at 31 December 2019, showed, on the one hand, a normal increase (+10 days) compared to 30 September 2019, but on the other a significant decrease (-13 days) compared 31 December 2018, when it recorded 248 days.

The Net Financial Position (**NFP**) did not record significant changes in the quarter (- € 1 million). The flows generated from operating activities in the quarter (€ 12.3 million) gave rise to a cash flow generated from changes of € 28.8 million in NWOC, in addition to uses of financial resources for net industrial investments (€ 7.6 million) and net financial investments of € 18.7 million, mainly against the financial effects of the acquisition and consolidation of the debt of Naprzód, totalling € 25.0 million against the positive effects of the deconsolidation of Elene Project S.r.l. in the quarter (+ € 1.0 million) and the reclassification of Sicura S.p.A's balance sheet items (€ 1.4 million) according to IFRS 5. Furthermore, payments were made for uses of provisions for future risks and charges and the provision for Employee Termination Benefits (TFR) for the quarter for € 1.4 million. Finally, there was a negative cash flow of € 12.8 million as a result of other changes that were recorded in the quarter, in particular following the recognition of the debt for the dividend resolved to the benefit of parent company Manutencoop Società Cooperativa on 17 December 2019, by using available reserves of revenues.

2. PERFORMANCE OF OPERATIONS AND CONSOLIDATED FINANCIAL POSITION FOR THE 2019 FINANCIAL YEAR

2.1 Consolidated results of operations for FY 2019

Below are reported the main income figures relating to 2019 compared to the figures of 2018.

As already noted in the preamble, the Group adopted some newly-issued IFRS and in particular IFRS16 – Leases as from the 2019 financial year. For the sake of greater clarity, the comparative data have been restated in order to take account of the effects of the new accounting standard in the Report on Operations.

(in thousands of Euro)	For the year ended 31 December		For the quarter ended 31 December	
	2019	2018 restated	2019	2018 restated
Revenues	1,007,082	949,882	286,966	263,138
Costs of production	(905,537)	(850,718)	(260.066)	(235,652)
EBITDA	**101,545**	**99,172**	**26,900**	**27,486**
EBITDA %	**10.1%**	**10.4%**	**9.4%**	**10.4%**
Amortization, depreciation, write-downs and write-backs of assets	(37,789)	(39,080)	(9,645)	(9,535)
Accrual and reversal of provisions for risks and charges	(4,270)	(2,584)	(2,852)	(1,952)
Operating Income (EBIT)	**59,486**	**57,508**	**14,403**	**15,999**
EBIT %	**5.9%**	**6.1%**	**5.0%**	**6.1%**
Share of net profit of associates	(92)	1,466	(430)	265
Net financial charges	(41,088)	(35,240)	(10,669)	(11,729)
Profit before taxes (EBT)	**18,306**	**23,734**	**3,304**	**4,535**
EBT %	**1.8%**	**2.5%**	**1.2%**	**1.7%**
Income taxes	(14,956)	(8,277)	(5,817)	894
Profit from continuing operations	**3,350**	**15,457**	**(2,513)**	**5,429**
Profit (loss) from discontinued operations	0	0	0	0
CONSOLIDATED NET PROFIT (LOSS)	**3,350**	**15,457**	**(2,513)**	**5,429**
CONSOLIDATED NET PROFIT (LOSS) %	**0.3%**	**1.6%**		
Minority interests	(65)	(108)	86	32

(in thousands of Euro)	For the year ended 31 December		For the quarter ended 31 December	
	2019	2018 restated	2019	2018 restated
NET PROFIT (LOSS) FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**3,285**	**15,349**	**(2,427)**	**5,461**
NET PROFIT (LOSS) FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT %	**0.3%**	**1.6%**		

NON-RECURRING EVENTS AND TRANSACTIONS

In 2019 the Rekeep Group recognized, in the Statement of Profit/Loss for the year, some "non-recurring" financial items which impacted on the normal performance of consolidated results. Pursuant to CONSOB Communication DEM/6064293 of 28 July 2006, "*significant non-recurring events and transactions*" mean events or transactions whose occurrence is non-recurring, i.e. those transactions or events that are not repeated frequently as part of normal operations and have a significant impact on the Group companies' financial position, results of operations and cash flows.

The following non-recurring elements are recognized in the Consolidated Statement of Profit/Loss for the year:

(in thousands of Euro)	For the year ended 31 December	
	2019	2018
Legal advice on pending administrative disputes	615	241
Structural reorganisation consulting fees	2,198	2,425
Rebranding Project	0	3,904
M&As and extraordinary transactions by Group companies	3,539	2,092
Compensation for damages from Consip S.p.A.	0	(4,274)
Transactions with the members of TJA *("Raggruppamento Temporaneo di Imprese")*	574	0
NON-RECURRING EXPENSES (INCOME) IMPACTING ON EBITDA AND ON EBIT	**6,926**	**4,388**

During 2019 the dispute with the Competition Authority (AGCM) continued, also in relation to the new measure on the "FM4" tender (to which reference is made below). Furthermore, some Group companies started some scouting and due diligence projects aimed at acquiring companies in Italy and abroad as early as in the previous year, which led, among other things, to the acquisition of the Polish group controlled by Naprzód S.A.. Finally, costs were recognized in relation to the management of

business relationships with the members of TJA which have claimed amounts on account of reimbursement for disputes relating to previous years.

Furthermore, during 2018 the Group implemented a major project for the renewal of its brand and of its visual identity which led, among other things, to changing the company name of Parent Company Manutencoop Facility Management S.p.A. to Rekeep S.p.A.. Moreover, the 2018 financial year saw the recognition of proceeds of € 4.3 million, which the Parent Company had collected following the Supreme Court's final judgment that ordered Consip S.p.A. to pay these sums on account of compensation for damage on the "Facility Management 3" tender, which was launched during the 2010 financial year.

Consolidated Adjusted EBITDA and EBIT are thus represented as follows:

(in thousands of Euro)	For the year ended 31 December	
	2019	2018 restated
EBITDA	**101,545**	**99,172**
Non-recurring charges (income) impacting on EBITDA	6,926	4,388
Adjusted EBITDA	**108,471**	**103,560**
Adjusted EBITDA % on Revenues	**10.8%**	**10.9%**
EBIT	**59,486**	**57,508**
Non-recurring charges (income) impacting on EBITDA and on EBIT	6,926	4,388
Adjusted EBIT	**66,412**	**61,896**
Adjusted EBIT % on Revenues	**6.6%**	**6.5%**

As early as from 2016, the Group also undertook to diversify its target markets by establishing the sub-holding Rekeep World S.r.l. as a vehicle dedicated to business development on international markets and Yougenio S.r.l., a subsidiary active in the B2C market through an e-commerce platform. As at the reporting date of the 2019 financial year, these new initiatives were still in the start-up phase and gave a negative contribution to the consolidated results for the period. In fact, the increase in the start-up volumes compared to the previous years is not sufficient to achieve the break-even point and to cover the increase in fixed costs to support growth. Although noting that the acquisition of the Polish Naprzód group was a milestone in international business development, the group gave a contribution to the consolidated results for 2 months only, with EBITDA equal to € 1.1 million and EBIT equal to € 0.5 million.

Therefore, consolidated Normalized EBITDA and EBIT – which exclude the contribution given by these start-ups – are shown below:

(in thousands of Euro)	For the year ended 31 December	
	2019	2018 restated
ADJUSTED EBITDA	**108,471**	**103,560**
Adjusted EBITDA related to start-up activities	5,104	7,288
NORMALIZED EBITDA	**113,576**	**110,848**
NORMALIZED EBITDA % on Normalized Revenues	**11.7%**	**11.8%**
ADJUSTED EBIT	**66,412**	**61,896**
Adjusted EBIT related to start-up activities	7,191	8,238
NORMALIZED EBIT	**73,603**	**70,133**
NORMALIZED EBIT % on Normalized Revenues	**7.6%**	**7.5%**

REVENUES

The Group recorded ***Revenues*** of € 1,007.1 million in the financial year ended 31 December 2019 compared to € 949.9 million in 2018, with a positive change of € 57.2 million (+6.0%), which for the second consecutive year let the Group resume the growth trend in its volumes, although excluding revenues of € 19.2 million arising from the consolidation of the recently acquired Naprzód sub-group as from November 2019 and also thanks to the contribution given by the volumes of minor M&A transactions that were carried out by the Group during the second half of 2018 (Medical Device S.r.l. on the part of Servizi Ospedalieri S.p.A.: + € 2.1 million) and in early 2019 (H2H Cleaning S.r.l. on the part of H2H Facility Solutions S.p.A.: + € 6.6 million). The change in the volumes achieved in international markets was also positive (+ € 5.5 million), in particular in the Turkish, French and Saudi markets.

The breakdown of consolidated Revenues in 2019 is provided below, compared to the previous year, broken down by Market.

(*) Adjusted and Normalized economic figures are described in the following paragraph “Non-recurring events and transactions”.

REVENUES BY MARKET

(in thousands of Euro)	For the year ended 31 December				For the quarter ended 31 December	
	2019	% of total Revenues	2018	% of total Revenues	2019	2018
PSEs	254,456	25.3%	249,056	26.3%	73,270	68,168
Healthcare	507,845	50.4%	465,355	49.1%	148,098	128,273
Private sector	244,781	24.3%	231,197	24.6%	65,598	62,423
(non-recurring) Compensation for damages	0		4,274	0.4%	0	4,274
CONSOLIDATED REVENUES	**1,007,082**		**949,882**		**286,966**	**263,138**

The volume growth that marked the 2019 financial year is once again driven by the Healthcare sector, which showed an increase of € 42.5 million (+9.1%), with an increase from 49.1% in 2018 to 50.4% in 2019 in the relative impact on consolidated revenues and mainly benefitted from the abovementioned consolidation of the Polish Naprzód sub-group from November 2019 (€ 19.2 million), as well as from the gradual entry into full operation under the Consip MIES2 agreement (+ € 20.8 million compared to 2018).

The Private market also grew by € 13.6 million (+ 5.9%, with a substantially unchanged relative impact on consolidated Revenues: -0.3%), mainly due to the acquisition by H2H Facility Solutions S.p.A. of the business unit of H2H Cleaning S.r.l. (+ € 6.6 million) and to the development of new customers by internal growth of H2H Facility Solutions S.p.A. itself (+ € 6.5 million), as well as to the continuation of the development of Rekeep Digital S.r.l. (+ € 4.5 million) and the new logistics business in the large-scale retail trade sector ("picking") being developed at the customer Carrefour, which more than offset the reduction in the scope of operations resulting from contract renewals with other customers in the large-scale retail trade sector.

The volumes of revenues from Public Authorities also showed a slight increase from € 249.1 million in 2018 to € 254.5 million in 2019 (+€ 5.4 million, equal to +2.2%), with a relative impact decreasing from 26.3% to 25.3%. The increase in the volumes achieved in this market was attributable to the transport segment, which was in fact affected by both the full operation of revenues from train cleaning services of an additional lot at Trenitalia (started in the fourth quarter of 2018: +€ 4.4 million), the French train cleaning service contract with customer SNFC, for which the work started in May 2018 (+€ 1.3 million), and the development phase of the facility management contract for Riyadh's underground system

Analysis of revenues by Segment

A comparison of Group Revenues by business segment is provided below.

The business segments were identified on the basis of IFRS 8 and correspond to the following business areas: "Facility Management" and "Laundering & Sterilization".

REVENUES BY SEGMENT

(in thousands of Euro)	For the year ended 31 December				For the quarter ended 31 December	
	2019	**% of total Revenues**	**2018**	**% of total Revenues**	**2019**	**2018**
Facility Management	873,715	86.8%	824,966	86.8%	252,391	230,874
of which International markets	*30,062*	*3.0%*	*5,415*	*0.6%*	*23,458*	*2,245*
of which Compensation for damages (non-recurring)	*0*		*4,274*	*0.4%*	*0*	*4,274*
Laundering & Sterilization	135,886	13.5%	127,443	13.4%	35,201	32,583
Eliminations	(2,519)	-0.3%	(2,527)	-0.3%	(626)	(589)
CONSOLIDATED REVENUES	**1,007,082**		**949,882**		**286,966**	**263,138**

The consolidated turnover growth trend was reported in both the SBUs in which the Group operates, with a proportional improvement in volume performance. In fact, no appreciable deviation was reported in terms of the SBUs' relative weight over total consolidated Revenues compared to the same period in the previous year.

Revenues of € 873.7 million in the *Facility Management* SBU were recorded in 2019, showing an increase of € 48.7 million (+ 5.9%) compared to the value posted for the same period of the previous year (€ 825.0 million). Its performance was affected by the abovementioned positive changes relating to the consolidation of the Naprzód sub-group and the development of international markets, the MIES2 agreement and the information reported above in relation to the revenue trend in the Private Market.

The revenues of the *Laundering&Sterilization* SBU increased from € 127.4 million in 2018 to € 135.9 million in 2019, with an increase of € 8.4 million (+ 6.6%). This increase was attributable to the acquisition of Medical Device S.r.l. in July 2018 for e 2.1 million, while as regards the development by internal growth note the start of operations under a new contract for the supply of surgical kits and the recovery in the volumes from the linen rental and industrial laundering segment, also as a result of the entry into full operation of new contracts started to be delivered during 2018.

EBITDA

The Group's EBITDA amounted to € 101.5 million for the year ended 31 December 2019, up by € 2.3 million compared to € 99.2 million for the year ended 31 December 2018. However, EBITDA during the two comparative periods expensed non-recurring costs of € 6.9 million in 2019 and € 4.4 million in 2018. Adjusted EBITDA, which excludes these non-recurring items, then amounted to € 108.5 million at 31 December 2019, against Adjusted EBITDA of € 103.6 million at 31 December 2018 (+ € 4.9 million).

Below is provided a comparison of EBITDA by segment for the financial year ended 31 December 2019 and the financial year ended 31 December 2018:

EBITDA BY SEGMENT

(in thousands of Euro)	For the year ended 31 December				For the quarter ended 31 December	
	2019	% of total Revenues	2018 restated	% of total Revenues	2019	2018 restated
Facility Management	69,194	7.9%	68,701	8.3%	18,842	20,455
Of which International markets	*(3,417)*		*(3,799)*		*(830)*	*(1,858)*
Laundering&Sterilization	32,351	23.8%	30,493	23.9%	8,059	7,053
CONSOLIDATED EBITDA	**101,545**	**10.1%**	**99,194**	**10.4%**	**26,900**	**27,508**

The Facility Management sector showed EBITDA of € 69.2 million for the year ended 31 December 2019, against € 68.7 million in 2018 (+ € 0.5 million). Non-recurring items which affected the consolidate results recorded during the two comparative years had an impact of € 6.3 million (in 2019) and € 4.3 million (in 2018), respectively, on this segment: therefore, the Adjusted EBITDA by segment showed an increase of € 2.4 million compared to the previous year. The increase in Adjusted EBITDA by segment was positively affected by the consolidation of the Polish Naprzód sub-group as from November for €1.1 million. Net of this effect, the remaining increase in Adjusted EBITDA (+€ 1.4 million) was consistent with the increase shown in the volumes of this segment referred to above.

EBITDA in Laundering&Sterilization also increased in 2019 compared to 2018, consistently with the increase in revenues by segment. In fact, EBITDA in the *Laundering&Sterilization* segment amounted to € 32.4 million (23.8% of Revenues) for the year ended 31 December 2019, up by € 2.0 million compared to € 30.5 million in 2018 (23.9% of Revenues).

Finally, non-recurring charges impacting on EBITDA by segment for € 0.7 million were reported in 2019 (€ 0.1 million in 2018).

Costs of production

Costs of production, which amounted to € 905.5 million for the year ended 31 December 2019, showed an increase of € 34.8 million in absolute terms compared to € 850.7 million posted for the year ended 31 December 2018 (+6.1%), substantially consistent with the increase recorded in revenues (+6.0%).

(in thousands of Euro)	For the year ended 31 December			For the quarter ended 31 December		
	2019	% of total	2018 restated	% of total	2019	2018 restated
Costs of raw materials and consumables	162,881	18.0%	140,144	16.5%	47,383	40,590
Change in inventories of finished and semi-finished products	(1,142)	-0.1%	(43)	0.0%	13	(62)
Costs for services and use of third-party assets	318,581	35.2%	315,541	37.1%	90,334	90,547
Personnel costs	419,090	46.3%	392,548	46.1%	119,434	103,863
Other operating costs	8,954	1.0%	6,660	0.8%	3,541	2,308
Lower costs for internal work capitalized	(2,827)	-0.3%	(4,140)	-0.5%	(639)	(1,594)
TOTAL COSTS OF PRODUCTION	**905,537**		**850,710**		**260,066**	**235,652**

Costs of raw materials and consumables in 2019 amounted to € 162.9 million, up by € Euro 22.7 million (+14.0%) compared to the value posted in 2018, which entailed an increased incidence on total Costs of production (18.0% at 31 December 2019 against 16.5% at 31 December 2018). The increase was mainly related to the consumption of raw materials, electricity and fuel, the first item of which was linked to the costs of raw materials used in the production of procedure kits (+ € 3.5 million) on the part of Medical Device S.r.l. (acquired by Servizi Ospedalieri S.p.A. in July 2018), while the increase in the costs of electricity and fuel was attributable to higher volumes of heat management and energy service following the full operation under the MIES2 agreement, as well as, marginally, to higher fuel costs in some areas of Italy.

Costs for services and use of third-party assets came to € 318.6 million in 2019, up by € 3.1 million compared to the value posted in 2018 (€ 315.5 million), albeit with a lower impact on total Costs of Production (35.2% versus 37.1%). The reduction in the impact of these costs mainly related to the services directly linked to production operations (third-party and professional services, in addition to costs from consortia), typically linked to the mix of services being delivered and to any possible resulting make-or-buy choices.

Personnel costs showed an increase of € 26.5 million in absolute terms (+ 6.3%, substantially in line with the 6.0% increase in Revenues) from € 392.5 million in 2018 to € 419.1 million in 2019, with a slight increase in terms of impact on total Costs of Production (46.3% in 2019 against 46.1% in 2018).

The average number of employees in service during 2019 was equal to 18,198 (recognized considering the contribution of 9,805 units of the acquired company Naprzód for the two months of contribution to the consolidated financial statements) while it was 16,452 in the same period of the previous year (of which 16,821 versus 15,197 manual workers). As it was said for costs for services and for fuel and energy consumption, the trend in the number of Group employees, and in particular manual workers, was closely related to the mix of services being delivered, as well as to the impact of related costs on total operating costs.

Other operating costs amounted to € 9.0 million at 31 December 2019 (€ 6.7 million at 31 December 2018). Specifically, non-recurring costs were recognized during 2019 in relation to the management of business relationships with the members of the Temporary Business Grouping which have claimed amounts on account of reimbursement for disputes of previous years for € 0.6 million, while in the previous quarter higher emission trading costs had been recorded under energy contracts for € 0.6 million, which were however accounted together with related revenues since they were sustained on behalf of a customer and invoiced back to the latter. The additional increase in this item was attributable to the classification of operating costs under this item on the part of the Naprzód Group, which was consolidated from the time of its acquisition that took place at the end of October 2019.

Finally, *Lower costs for internal work capitalized* of € 2.5 million were recognized in 2019 (€ 4.2 million in 2018) relating to some service concession agreements managed by Rekeep S.p.A., which provide for the initial construction of long-term works, and in particular due to the service concession agreement with the Municipality of Casalecchio di Reno (Bologna), which started in 2018, for the integrated management of thermal energy and public lighting in the municipal district, as well as to the concession agreement with the Municipality of Valsamoggia (Bologna) for the integrated operation of thermal energy and public lighting supply and management services, which was started at the beginning of 2019.

Operating Income (EBIT)

In 2019 consolidated Operating Income (**EBIT**) stood at € 59.5 million (5.9% of Revenues) against € 57.5 million (6.1% of Revenues) during 2018.

EBIT was affected by the above-mentioned consolidated performance in terms of EBITDA (+ € 12.1 million compared to the previous year), from which *amortization and depreciation* of € 35.9 million (€ 28.2 million at 31 December 2018), of which an amount of € 8.5 million relating to the amortization of Rights of use (€ 8.0 million in 2018), *accruals to provisions for risks and charges* (*net of reversals*) of € 4.3 million (€ 2.6 million at 31 December 2018), as well as *write-downs of receivables and reversals* of € 1.9 million (€ 3.0 million at 31 December 2018) must also be deducted. *Other impairment losses* of € 0.3 million on other operating non-trade receivable were also recorded in 2018.

Adjusted EBIT recognized the same non-recurring items impacting on Adjusted EBITDA and came to € 66.4 million and € 61.9 million at 31 December 2019 and 31 December 2018, respectively, with relative profit margins (Adjusted EBIT/Revenues) equal to 6.6% and 6.5%, respectively.

Below is a comparison of Operating Income (EBIT) by segment in 2019 with values relating to the previous year.

EBIT BY SEGMENT

(in thousands of Euro)	For the year ended 31 December			For the quarter ended 31 December		
	2019	% of total	2018 restated	% of total	2019	2018 restated
Facility Management	43,966	5.0%	43,761	5.3%	10,455	12,015
off which International markets	*(4,302)*		*(4,033)*		*(1,444)*	*(1,960)*
Laundering&Sterilization	15,520	11.4%	13,769	10.8%	3,949	4,007
CONSOLIDATED EBIT	**59,486**	**5.9%**	**57,530**	**6.1%**	**14,404**	**16,021**

The EBIT in the *Facility Management* segment came to € 44.0 million (5.0% of related segment Revenues) at 31 December 2019, against segment EBIT of € 43.8 million (5.3% of related segment Revenues) at 31 December 2018, thus remaining substantially unchanged (+ € 0.2 million). However, the adjusted values showed a more evident increase with adjusted EBIT by segment going from € 48.1 million at 31 December 2018 to € 50.2 million at 31 December 2019, while operating profit margins went from 5.9% at 31 December 2018 to 5.7% at 31 December 2019.

The comparison firstly reflects the abovementioned performance in terms of Adjusted EBITDA (+ € 2.4 million) to which must be added higher amortization and depreciation for € 1.3 million (due to amortization of Rights of use for € 0.4 million), lower write-downs of trade receivables for € 0.9 million (which included some significant write-downs due to the financial difficulties experienced by the customer ATAC and by the Municipality of Catania in the 2018 financial year) and lower impairment losses on operating assets of € 0.3 million. On the other hand, higher net accruals to provisions for future risks and charges were recognized for € 1.7 million.

Finally, the sector recorded a positive differential in terms of adjusted EBIT of the companies operating in international markets (+ € 0.7 million) which, although showing operating profit margins still negative as a whole, were positively affected by the contribution given by the newly-acquired Polish Naprzód sub-group which contributed to consolidated EBIT for two months (+ Euro 0.5 million).

To the EBITDA performance in the *Laundering&Sterilization* sector in 2019 (+ € 1.9 million compared to the previous year) must be added, at segment EBIT level, amortization and depreciation for € 17.0 million (€ 18.1 million in 2018, mainly relating to the

linen used in the linen rental and industrial laundering segment); these values included a downward adjustment of € 1.8 million following Servizi Ospedalieri's review of the useful life of some categories of operating assets used in linen rental and industrial laundering services, which was adjusted in line with the rates of use actually reported. Furthermore, note the recognition of net reversals relating to write-downs of trade receivables for € 0.1 million in 2019 (a provision of € 0.2 million at 31 December 2018) and a net release of provisions for future risks and charges for € 0.1 million (against a net release of € 1.6 million at 31 December 2018), in consideration of some past risk positions that were positively settled during the years. The profit margins by segment stood at 11.4% in terms of EBIT on related Revenues by segment (10.8% at 31 December 2018). The adjusted amounts also showed an even more evident increase in terms of profit margins, with adjusted EBIT by segment which increased from to € 13.8 million at 31 December 2018 to € 16.2 million at 31 December 2019 and a profit margin which increased from 10.9% in 2018 to 11.9% in 2019.

Profit before taxes

To the consolidated EBIT must be added the net charges of companies valued at equity, equal to € 0.1 million (against a net income of € 1.5 million at 31 December 2018). The lower balance of the item compared to the previous year was attributable, for € 0.7 million., to some project finance companies that left the Group's consolidation area and were disposed of in December 2018 to 3i European Operational Projects SCSp ("3i EOPF"), an investment fund managed by 3i Investments Plc, and to third parties.

Furthermore, there was the recognition of net financial charges of € 41.1 million (€ 35.2 million at 31 December 2018), thus obtaining a Profit before taxes equal to € 18.3 million at 31 December 2019 (€ 23,7 million at 31 December 2018).

Below is provided the breakdown by nature of net financial charges for the 2019 and 2018 financial years:

(in thousands of Euro)	For the year ended 31 December		For the quarter ended 31 December	
	2019	2018 restated	2019	2018 restated
Dividends, income (charges) from sale of equity investments	340	(843)	(442)	(1,333)
Financial income	3,796	1,597	1,221	356
Financial charges	(45,040)	(35,838)	(11,259)	(10,890)
Profit (loss) on exchange rate	(184)	(156)	(189)	138
NET FINANCIAL CHARGES	**(41,088)**	**(35,240)**	**(10,669)**	**(11,729)**

During 2019 dividends were collected from non-consolidated companies for € 0.3 million (€ 0.8 million at 31 December 2018). During the year the Parent Company also recognized capital gains on equity investments, equal to € 0.6 million, relating to the

collection of the earn-out amount on the disposal of one of the project finance companies within the scope of the abovementioned transaction carried out with 3i EOPF in December 2018. This income was not recognized at the same time as the sale since it was linked to uncertain and unforeseeable future events that occurred during the 2019 financial year. In 2018 costs linked to the disposal of equity investments were recognized for € 1.5 million on the same transaction, which, however, had arisen from consolidation adjustments allocated to some project finance companies invested in by the transferred holding company, for which the consolidated value was different from the statutory carrying amount (stated at the historical cost of acquisition). The separate financial statements of Rekeep S.p.A. reported, in fact, capital gains on disposal of equity investments (net of additional charges for the transaction) for € 2.6 million.

Financial income amounted to € 3.8 million in 2019, showing an increase of € 2.2 million compared to € 1.6 million recorded in the same period of 2018. The main item recorded during the year related to a capital gain of € 1.6 million achieved by the Parent Company Rekeep S.p.A. on the purchase of portions of its bond issue on the open market for a total nominal amount of € 10.3 million.

The impact of *financial charges* on the consolidated results of operations was equal to € 45.4 million against € 35.8 million in 2018. It should be noted that, since the "modified retrospective approach" in the transition to the new IFRS16 requires the non-restatement of the book values of the previous year, the accounting adjustment relating to financial charges on liabilities for operating leases would been equal to € 2.3 million in 2018 (€ 1.7 million at 31 December 2019).

With respect to the two comparative periods, the financial debt structure reported significant changes. On 1 July 2018, in fact, the merger became effective for the incorporation into Rekeep S.p.A. of its direct parent company CMF S.p.A., which had been established by Manutencoop Società Cooperativa in 2017 as a vehicle for the purpose of launching the Senior Secured Notes bond issue. The consolidated income statement, therefore, was affected by higher financial costs arising from the transfer of the bond debt (equal to € 360 million) to Rekeep S.p.A. as from the third quarter of 2018 only, following the above-mentioned merger and the consequent repayment of the Proceeds Loan granted by CMF within the refinancing transaction (equal to € 174.2 million at the date of the merger itself).

The financial charges accrued on the Proceeds Loan came to € 7.9 million during the first half of 2018, to which must be added financial charges of € 16.2 million accrued for Rekeep S.p.A. on the Notes during the second half of 2018. In 2019 financial charges on the coupons accrued for € 31.6 million. The above-mentioned buy-back transactions that were carried out during the first quarter of 2019 on the other hand ensured savings of € 0.8 million on the financial charges accrued on the repurchased portions for the time being.

Finally, the *upfront fees* relating to the issue of Senior Secured Notes were accounted for according to the amortized cost method, which entailed financial amortization charges of € 3.7 million in 2019, of which € 0.4 million relating to the write-off of the portion relating to the repurchased Notes. On the contrary, financial amortization charges of € 2.4 million had been accounted for in 2018, of which € 0.8 million relating to the additional costs for the issue, charged back to Rekeep S.p.A. in proportion to the proceeds reserved for it as Proceeds Loan (equal to 52.86% of total issue).

At the same time as the bond issue, CMF S.p.A. also entered, as the Parent Company, into a Super Senior Revolving loan agreement for € 50 million ("RCF"), to which Rekeep S.p.A. is a party as Borrower. In 2017 CMF S.p.A. charged all financing costs (initially equal to € 1.0 million) back to Rekeep S.p.A., which will be also amortized on a straight-line basis throughout the entire term of the credit facility (no drawdown had been requested at 31 December 2019). The cost relating to this line of credit amounted to € 0.7 million in both comparative periods (including the commitment fees charged by banks).

Finally, interest discount costs were recognized for € 3.9 million during 2019 in relation to the assignments of trade and VAT receivables without recourse carried out with Banca Farmafactoring and Banca IFIS (€ 3.0 million at 31 December 2018).

Consolidated net result

From the Profit before taxes (€ 18.3 million) must be deducted taxes of € 15.0 million, thus obtaining a Net Result of € 3.4 million (€ 15.5 million at 31 December 2018, as restated to take account of the effects of changes in accounting standards). The table below reports a breakdown of the consolidated tax rate:

(in thousands of Euro)	For the year ended 31 December	
	2019	**2018 restated**
Profit before taxes	**18,306**	**23,734**
Current IRES tax	(9,161)	(3,122)
Current IRAP tax	(4,928)	(4,206)
Adjustments to current taxes related to previous financial years	(25)	837
Current taxes	**(14,114)**	**(6,491)**
Prepaid and deferred IRES tax	(716)	(1,728)
Prepaid and deferred IRAP tax	(63)	(164)
Adjustments to prepaid and deferred taxes related to previous financial years	(63)	107
Prepaid and deferred taxes	**(842)**	**(1,786)**
Total current, prepaid and deferred taxes	**(14,956)**	**(8,277)**
Consolidated net result	**3,350**	**15,457**
Overall tax rate	**81.7%**	**34.9%**

Compared to the previous year, the Profit before taxes showed a decrease of € 5.4 million (€ 23.7 million at 31 December 2019 against € 18.3 million at 31 December 2018 as restated to take account of the effects of changes in accounting standards) against an overall tax burden which increased by € 6.7 million (€ 8.3 million at 31 December 2019 against € 15.0 million at 31 December 2018). It should be noted that lower taxes of € 6.1 million were recognized in 2018, also following the presentation by the Parent Company Rekeep S.p.A. and subsidiaries H2H Facility Solutions S.p.A. and Servizi Ospedalieri S.p.A. of the supplementary tax

returns of the Forms UNICO Sc 2014-2108. Net of these proceeds, the overall tax burden would be € 14.4 million in 2018. The substantial stability of the tax burden in the two financial years (+ € 0.6 million), despite a more evident decrease in Profit before taxes (- € 5.4 million), was due to the lack of changes in some tax components (especially IRAP tax) compared to the changes in the Profit before taxes.

2.2 Analysis of the Statement of financial position as at 31 December 2019

The statement of Sources and Uses is reported below, showing the accounting effects of the first-time adoption of the new IFRS 16 on Net financial indebtedness:

(in thousands of Euro)	31 December 2019	31 December 2018 restated
USES		
Trade receivables and advances to suppliers	412,572	417,930
Inventories	7,910	7,421
Trade payables and contract liabilities	(405,950)	(399,602)
Net working operating capital	**14,532**	**25,749**
Other elements of working capital	(115,344)	(61,284)
Net working capital	**(100,812)**	**(35,535)**
Property, plant and equipment and assets under finance leases	87,811	73,975
Rights of use for operating leases	38,680	45,436
Goodwill and other intangible assets	414,601	433,256
Investments accounted for under the equity method	10,376	19,207
Other elements of non-current assets	123,603	29,368
Fixed Assets	**675,071**	**601,242**
Non-current liabilities	(54,826)	(55,108)
NET INVESTED CAPITAL	**519,433**	**510,599**
SOURCES		
Equity attributable to non-controlling interests	836	660
Equity attributable to equity holders of the parent	151,970	162,549
Shareholders' equity	**152,806**	**163,209**
Net financial indebtedness	366,627	347,390
of which accounting effects of the adoption of IFRS 16	*42,920*	*48,602*
FINANCING SOURCES	**519,433**	**510,599**

The net book value of “Right of use for operating leases” was stated among the balance sheet assets for € 36.7 million at 31 December 2019, following the first-time adoption of the new accounting standard IFRS16, which substantially modified the method to account for operating lease agreements, specifically referred to the agreements concerning property leases, the long-term hire for the motor vehicles of the corporate fleet and specific equipment on the part of the Group companies. The adjustment would have been equal to € 45.4 million at 31 December 2018. Increases for new agreements for € 6.5 million were recorded during the year, of which € 3.1 million for property leases, in addition to decreases for early withdrawal for € 0.5 million and amortization allowances for € 8.0 million.

At 31 December 2019 the carrying amount of goodwill stood at € 414.6 million (€ 433.3 million at 31 December 2018). Goodwill on business combinations was accounted for € 22.7 million during the year, of which € 17.9 million relating to the acquisition of the Polish company Naprzòd. At 31 December 2019, goodwill allocated to the sub-group controlled by Sicura S.p.A. was reclassified to “Assets held for sale”.

Net working capital

At 31 December 2019 the consolidated Net Working Capital (**NWC**) posted a negative value of € 100.8 million against a negative value of NWC of € 35.5 million at 31 December 2018.

At 31 December 2019, the consolidated Net Working Operating Capital (**NWOC**), composed of trade receivables and advances to suppliers and inventories, net of trade payables and contract liabilities, was equal to € 14.5 million against € 25.7 million at 31 December 2018. Considering the balance of receivables assigned without recourse by the Group and not yet collected by the factoring agencies (equal to € 75.1 million at 31 December 2019 and € 60.3 million at 31 December 2018) the **Adjusted NWOC** stood at € 89.7 million and € 86.1 million, respectively.

The change in the latter indicator (+ € 3.6 million) was mainly due to a change in the balance of trade payables for the year (+ € 6.3 million) against a more significant increase in trade receivables (+ € 9.4 million, while considering the balance of receivables assigned without recourse by the Group and not yet collected by the factoring companies).

Furthermore, average DPO stood at 235 days with a more marked reduction compared to DSO (- 14 days compared to 31 December 2018), with a lower use of leverage on payments to suppliers with respect to the benefits of financial flows obtained from receipts and a lower level compared to the data reported on average at the end of the year.

The balance of the other elements in working capital at 31 December 2019 was a net liability of € 115.3 million, up by € 54.1 million compared to a net liability of € 61.3 million at 31 December 2018:

(in thousands of Euro)	31 December 2019	31 December 2018 restated	Change
Current tax receivables	10,090	14,658	(4,568)
Other current assets	31,054	22,320	8,734
Assets classified as held for sale	70,500	0	70,500
Provisions for risks and charges, current	(6,392)	(6,948)	556
Current tax payables	(1,280)	(954)	(326)
Other current liabilities	(192,465)	(90,360)	(102,105)
Liabilities associated with assets classified as held for sale	(26,851)	0	(26,851)
OTHER ELEMENTS IN WORKING CAPITAL	**(115,344)**	**(61,284)**	**(54,060)**

The change in net liability of other working capital items compared to 31 December 2019 was due to a combination of factors, mainly including:

- the increase in the net VAT credit balances of the Group companies that are predominantly subject to a VAT invoicing system based on “Split payment” and “Reverse charge” (+ € 5.0 million). These credit balances allowed, during 2019, the

performance of assignments without recourse of the balances on account of refund required from the Tax Authorities, for a total amount of € 31.3 million;

- the changes in payables to/receivables from employees and related payables to/receivables from social security institutions and Tax Authorities for withholding taxes, which entailed an increase in net liabilities of € 9.7 million, also given the substantial increase in the weight of personnel costs during the year;
- the decrease in "Other current operating liabilities" of the payable related to the fine imposed by the Competition Authority during 2016, given the full payment of the fine during the year (€ 4.4 million at 31 December 2018);
- the decrease in the balance of net current tax receivables, equal to € 8.8 million at 31 December 2019, against a net receivable of € 13.7 million at 31 December 2018.

At 31 December 2019 the payable relating to the deposit concerning the fine imposed by the Competition Authority in relation to the Consip FM4 Tender, was recognized under "Other current assets". Even while pending the proceedings on the merits, the hearing of which is scheduled for 6 May 2020, in fact, the Parent Company took steps to recognize the liability arising from the notice of payment issued by the Revenue Agency – Collection among "Other current liabilities" in the consolidated Statement of Financial Position for the corresponding amount (€ 94.6 million). This liability will be paid off upon the payment of the 72 instalments set out in the plan of instalment payment of the amount stated in the abovementioned notice, according to the methods set out and until the Parent Company's appeal is possibly granted during the pending proceedings. Furthermore, the deposit was stated among non-current balance sheet assets, since it constitutes a receivable against sums that are potentially subject to return following the settlement of the existing dispute (however, the time required for the judgment to become final cannot be estimated at present) and that cannot however be claimed automatically, even following the repayment of the entire debt.

Finally, on 13 February 2020 a binding agreement was signed for the sale of the total share capital of Sicura S.p.A. to Argos Wityu, a pan-European Private Equity fund. The transfer of the investment was completed on 28 February 2020 for a consideration equal to € 55 million, paid by the Italian company AED S.r.l.. According to IFRS5, at the reporting date of the Consolidated Financial Statements at 31 December 2019, the value of balance sheet assets and liabilities relating to the sub-group controlled by Sicura S.p.A. (equal to € 70.5 million and € 26.9 million, respectively) was reclassified under "Assets classified as held for sale" and "Liabilities associated with assets classified as held for sale." Given a market value that is recognized as higher than the carrying amount of these balance sheet items, there has been no need to account for any impairment for fair value adjustments.

Other long-term liabilities

"Other long-term liabilities" include liabilities relating to:

- defined-contribution plans for employee benefits, mainly including Employee Termination Benefits (TFR), equal to € 12.4 million and € 14.7 million at 31 December 2019 and 31 December 2018, respectively;
- long-term portion of Provisions for risks and charges (€ 25.4 million at 31 December 2019 against € 25.2 million at 31 December 2018);
- deferred tax liabilities of € 16.4 million (€ 14.5 million at 31 December 2018).

Consolidated net financial indebtedness

The breakdown of net financial indebtedness at 31 December 2019 is shown below, compared to the figures at 31 December 2018 restated to take account of the effects of the amendments to accounting standards, as determined on the basis of the instructions laid down in CONSOB Communication no. DEM/6064293 of 28 July 2006.

(in thousands of Euro)	31 December 2019	31 December 2018 restated
A. Cash	197	49
B. c/a, bank deposits and consortia, non-proprietary accounts	96,946	94,684
C. Securities held for trading		
D. Cash and cash equivalents (A) + (B) + (C)	**97,143**	**94,733**
E. Current financial assets	**4,819**	**5,532**
F. Current bank overdraft	2,446	5,247
G. Current portion of non-current debt	4,395	2,855
H. Other current financial liabilities	64,989	36,264
I. Current financial indebtedness (F)+(G)+(H)	**71,830**	**44,365**
J. Net current financial indebtedness (I) - (D) - (E)	**(30,132)**	**(55,900)**
K. Long-term bank debt and Senior Secured Notes	353,335	358,225
L. Other non-current financial liabilities	43,424	45,065
M. Derivatives		
N. Non-current financial indebtedness (K) + (L) + (M)	**396,759**	**403,289**
O. NET FINANCIAL INDEBTEDNESS (J) + (N)	**366,627**	**347,390**

The 2019 financial year saw a negative change in consolidated net financial debt, which increased from € 347.9 million at 31 December 2018 to € 366.6 million at 31 December2019. The adoption of the new IFRS16 – Leases entailed the recognition of the discounted value of future operating lease payments for an amount of € 42.9 million and € 48.6 million at 31 December 2019

and 31 December 2018, respectively. Net of this accounting item, the Net Financial Indebtedness came to € 323.7 million at 31 December 2019 against € 298.8 million at 31 December 2018.

On 27 December 2018, the Parent Company Rekeep S.p.A. and Servizi Ospedalieri S.p.A. entered into a three-year maturity factoring agreement without recourse with Banca Farmafactoring S.p.A., concerning the assignment of receivables, without recourse and on a revolving basis, they claimed from entities in the Italian National Health System and Public Authorities, for an amount of up to € 200 million. The new agreement replaces the previous agreement that had been entered into with Banca Farmafactoring S.p.A. in 2016, which provided for an annual ceiling of up to € 100 million for the assignment of receivables claimed from the National Health System only. During 2019 assignments without recourse were made under this contract for € 163.6 million.

The Parent Company also signed an additional uncommitted factoring agreement with Banca IFIS, concerning the assignment without recourse of trade receivables specifically accepted for the individual transactions carried out. In 2019 receivables from private entities and Public Authorities were assigned for € 55.7 million in consideration of this new contract. Furthermore, an additional line for assignments without recourse up to € 20 million on a revolving basis is in place with Unicredit Factoring S.p.A, which is also aimed at converting credit positions into cash specifically agreed with the factor. This line was used for the assignment of receivables from private individuals totalling € 30.3 million. Finally, spot assignments of trade receivables from private companies in the large-scale retail trade were made for € 8.0 million. Furthermore, there were assignments of VAT credits involved in requests for refund for a total of € 31.3 million during the year. All assignments without recourse carried out were subject to derecognition according to IFRS9.

The consolidated net adjusted financial debt for the amount of trade receivables assigned without recourse to factoring companies, which had not been collected by them at the reporting date (totalling € 75.1 million at 30 September 2019 against € 60.3 million at 31 December 2018) came to € 441.8 million (€ 398.9 million excluding the effects of the adoption of IFRS16) against € 407.7 million at 31 December 2018 (€ 359.1 million eliminating the effects of the adoption of IFRS16).

At 31 December 2019 the balance of Cash and cash equivalents, net of short-term credit lines (known as “Net Cash”) amounted to € 66.5 million (€ 71.1 million at 31 December 2018):

(in thousands of Euro)	**31 December 2019**	**31 December 2018**
Cash and cash equivalents	97,143	94,733
Current bank overdraft, advance payments and hot money	(2,446)	(5,247)
Obligations arising from assignments of trade receivables with recourse	(28,174)	(18,379)
NET CASH	**66,523**	**71,106**

Below is a breakdown of the net financial exposure by bank credit lines and financial leases (Net Debt) compared to 31 December 2018:

(in thousands of Euro)	31 December 2019	31 December 2018
Senior Secured Notes due 2022 (nominal value)	349,700	360,000
Bank debts (nominal value)	14,843	12,454
Financial lease obligations	5,853	3,577
Current bank overdraft, advance payments and hot money	2,446	5,247
Obligations arising from assignments of receivables with recourse	28,174	18,379
GROSS DEBT	**401,016**	**399,659**
Current financial assets	(4,819)	(5,532)
Cash and cash equivalents	(97,143)	(94,733)
NET DEBT	**299,054**	**299,394**

The Net Debt remained unchanged compared to 31 December 2018 (€ 299.1 million against € 299.4 million). Specifically, during the year there was an increase in the balance of credit lines for payables related to the acquisition of the Polish company Naprzód and the related consolidation of its bank debt (+ € 12.9 million), as well as in the cash and cash equivalents used in the acquisition itself (- € 8.8 million).

Furthermore, in early 2019 Rekeep S.p.A. formalized the purchase of portions of its bond issue on the open market for a total nominal amount of € 10.3 million. The weighted average repurchase price was less than 85% against a price for the issue equal to 98% at 6 July 2017. The Notes were cancelled at the same time.

The change in Consolidated cash and cash equivalents is analysed in the table below: the cash flows for 2019 are compared with the figures in the previous year. The Annexes attached to the Explanatory Notes provide a reconciliation between the items in this table and those in the statutory schedule presented in the schedule of the consolidated Financial Statements pursuant to IAS 7, to which reference is made.

(in thousands of Euro)	2019	2018 restated
At 1 January	**94,733**	**59,870**
Cash flow from current operations	55,194	57,238
Uses of provisions for risks and charges and for employee termination indemnity	(6,258)	(7,262)
Change in NWOC	4,634	14,965

(in thousands of Euro)	2019	2018 restated
Industrial Capex net of disposals	(32,638)	(31,530)
Financial Capex net of disposals	(16,297)	13,082
Change in net financial liabilities	21,647	177,648
Other changes	(23,872)	(189,278)
AT 31 DECEMEBR	**97,143**	**94,733**

The overall cash flows mainly reflect:

- a positive cash flow from current operations for € 55.2 million (€ 57.2 million at 31 December 2018);
- outflows from the use of provisions for future risks and charges and for employee termination benefits for € 6.3 million (€ 7.3 million at 31 December 2018);
- a cash flow of € 4.6 million (€ 15.0 million at 31 December 2018) from changes in NWOC resulting from an outflow correlated to an increase in trade receivables for € 6.0 million (against an inflow of € 11.3 million in 2018) against inflows of € 0.1 million relating to a change in the balance of trade payables (against an inflow of € 4.0 million at 31 December 2018) and in the balance of inventories (€ 1.5 million against € 0.3 million at 31 December 2018, mainly related to the stock of medical devices);
- a cash flow of € 32.7 million used in investing activities (€ 32.0 million at 31 December 2018), net of disposals for € 0.1 million (€ 0.5 million at 31 December 2018);
- a net use of resources for financial investments and disinvestments, equal to € 16.3 million at 31 December 2019 against net financial disinvestments of € 13.1 million at 31 December 2018;
- a decrease in net financial liabilities for € 21.6 million, which was mainly due to (i) a reduction in the Senior Secured Notes debt for the repurchase of € 10.3 million of Notes on the open market; (ii) an increase linked to the financial debt acquired in the business combinations for the year, in particular for the Polish company Naprzód and Emmetek (+ € 13.5 million), to which must be added the remaining debt for these acquisitions (+ € 8.5 million); (iii) other changes in the liability related to the use of short-term credit lines for hot money and advances on invoices (- € 4.0 million) and for assignments of trade receivables with recourse (+ € 9.8 million); (iv) a lower liability recognized against factoring firms for amounts received on receivables that had been previously assigned without recourse and returned to them in the subsequent quarter (- € 2.4 million); (v) a reduction in the financial liability recognized ion operating leases (- € 5.8 million); (vi) the reclassification, according to IFRS 5, concerning the net financial liabilities of the sub-group controlled by Sicura S.p.A. (- € 8.4 million). On the other hand, in 2018, an increase was recognized in net financial liabilities for € 177.6 million, which was mainly due to the abovementioned transfer of the title to the Senior Secured Notes-bond issue to Rekeep S.p.A. (€ 360 million) following the merger by incorporation of the issuer CMF S.p.A. and the consequent repayment of the Proceeds Loan existing between the companies (equal to a nominal amount of € 174.2 million at the date of merger). Furthermore, the year saw the recognition of an increase in the used balance of the committed line with CCFS (+ € 10 million) and of lines with other banks

(+ € 2.5 million) in addition to other changes in the liabilities related to factoring with recourse (- € 11.6 million) and a lower use of short-term credit lines for hot money and advances on invoices (- € 0.8 million);

- cash outflows arising from other changes recorded in the period for € 23.9 million, mainly due to the net effect of: (i) the changes in the net VAT credit balance of the Group companies, which increased by € 5.0 million during the year, albeit against assignments without recourse amounting to € 31.3 million; (ii) an increase in debit balances for payments due to the members of the Temporary Business Grouping for € 1.3 million; (iii) a decrease, among "Other operating current liabilities", in the payable related to the fine imposed by the Competition Authority during 2016 (- € 4.4 million and its consequent payment); (iv) the recognition of the accounting debt for the dividend resolved by the Parent Company on 17 December 2019 (- Euro 13.0 million). On the other hand, in 2018 there was the recognition of outflows arising from other changes reported in the period for € 189.3 million, including the recognition of the effects of the consolidation of CMF S.p.A. following the merger for € 181.3 million. Furthermore, note the net flows generated from the changes in other operating assets and liabilities (+ € 2.4 million), mainly due to the net effect of: (i) a decrease in the balance of payables to/receivables from employees and the related payables to/receivables from social security institutions and the Tax Authorities for withholdings (- € 3.3 million); (ii) the changes in the net VAT credit balance of the Group companies (which showed a decrease of € 9.6 million); (v) a decrease in Other current liabilities (- € 3.3 million), due in particular to the instalment repayment of the debt relating to the fine imposed by the Competition Authority during 2016 (- € 5.9 million following the payment of 12 monthly instalments).

Industrial and financial Capex

In 2019 the Group made gross capital expenditures which totalled € 34.0 million (€ 32.0 million at 31 December 2018), from which must be deducted disinvestments of € 0.1 million (€ 0.5 million at 31 December 2018):

(in thousands of Euro)	For the year ended 31 December	
	2019	**2018**
Acquisitions of fixed assets under finance lease	566	69
Purchases of properties	82	54
Purchase of plant and equipment	24,372	23,917
Other capital expenditures in intangible assets	9,017	7,987
INDUSTRIAL CAPEX	**34,037**	**32,027**

Acquisitions of plant and equipment include the purchase of linen on the part of Servizi Ospedalieri S.p.A. for the linen rental and industrial laundering business, equal to € 15.3 million at 31 December 2019 against € 15.5 million at 31 December 2018. Furthermore, there were increases of € 2.8 million relating to service concessions managed for the Municipal Government of Casalecchio di Reno (BO) (through subsidiary Elene Project S.r.l., which was then sold on 12 December 2019) and at Valsamoggia (BO) (through subsidiary Energy Saving Valsamoggia S.r.l.).

Investments in intangible assets for the year amounted to € 9.0 million (€ 8.0 million at 31 December 2018) and mainly related to ICT investments by the Parent Company for the upgrading and enhancement of its SAP infrastructure. These also included investments of € 1.1 million in the technological platform of subsidiary Yougenio S.r.l. (€ 1.5 million at 31 December 2018) and an amount of € 0.7 million relating to investments in progress for the automation of some processes relating to specialist services.

Finally, investments in new finance leases related to subsidiary Servizi Ospedalieri for linen rental and industrial laundering contracts.

Below is reported the breakdown of capital expenditures in terms of SBUs:

(in thousands of Euro)	For the year ended 31 December	
	2019	**2018**
Facility Management	15,368	13,818
of which relating to international markets	*2,409*	*507*
of which relating to assets held for sale	*632*	*237*
Laundering & Sterilization	18,669	18,209
INDUSTRIAL CAPEX	**34,037**	**32,027**

The capital expenditure related to the companies operating in international markets (Poland, Turkey, France and the Middle East) amounted to € 2.4 million in 2019, of which € 2.2 million relating to the Polish company Naprzód acquired on 30 October 2019.

Finally, the cash flow for financial investments posted a negative value of € 16.3 million at 31 December 2019. On 6 June 2019, the subsidiary H2h Facility Solutions S.p.A. transferred to UBI Banca S.p.A. the minority interests held in Palazzo della Fonte S.c.p.a., for a consideration equal to its asset value (€ 8 million), which was collected in full as at the date of transfer. Furthermore, the investment in Emmetek S.r.l. was acquired on 3 July 2019, the business combination of which entailed net financial uses of € 5.4 million, while Naprzód S.A., the parent company of the Polish group with the same name, was acquired on 30 October 2019, the business combination of which entailed net financial effects for € 25 million. Furthermore, a reclassification of € 8.4 million was made according to IFRS5, given the disposal of the sub-group controlled by Sicura S.p.A. on 28 February 2020. Finally, a portion of the deferred consideration for the corporate disposals in December 2018 in favour of 3i EOPF (€ 1.0 million) was collected during the year, in accordance with the investment agreement.

Finally, the cash flow for financial investments posted a positive value of € 13.1 million at 31 December 2018, which was partly linked to the sale to third parties of a stake of 31.98% of the share capital of Progetto ISOM S.p.A., a vehicle company intended for the design, financing, implementation and management of the project for the energy upgrading of the Sant'Orsola Hospital in Bologna, under a project finance concession agreement. Furthermore, the transfer also concerned the entire receivable relating to the interest-bearing shareholder loan, equal to € 2.1 million. The total consideration of € 6.1 million was collected in full at the

date of the transfer. Finally, on 28 December 2018 Rekeep S.p.A. transferred a quota of 95% of the capital held in MFM Capital S.r.l. to 3iEOPF. During 2018 MFM Capital received the transfer of the major interests held in project companies involved in various project finance and service concession initiatives, in addition to the financial receivables arising from the corporate loans granted to them. Upon closing 3i EOPF paid a consideration of € 9.1 million when the agreement was signed, while a deferred consideration was paid for € 5.1 million, of which an amount of € 2.7 million stated in current financial Receivables.

On the other hand, the business combinations for the year absorbed total financial resources of € 1.5 million, mainly due to the acquisition of the majority interest in the Turkish company EOS on the part of Rekeep World S.r.l. against a price of € 2 million (fully paid at the closing date), with a net effect on cash and cash equivalents of € 1.7 million. The company was already invested in by Servizi Ospedalieri S.p.A. with a 50% stake of the capital; therefore, in 2018 the Group proceeded with the consolidation of the newly-acquired company's balance sheet values on a line-by-line basis. On the other hand, the acquisition of a 60% quota of Medical Device S.r.l. on the part of Servizi Ospedalieri S.p.A. did not entail any cash out for the Group since the transaction was completed through an increase in the capital of the subsidiary itself. Finally, a payment of € 0.5 million was made on account of an increase in the capital carried out in non-strategic investees during the year.

Change in Net financial liabilities

The table below shows the changes that were recorded in the year in the items making up consolidated financial liabilities:

(in thousands of Euro)	31 December 2018 restated	Business Combinations	New loans	Refunds / Repayments	Buy-back/ Early termination	Other changes	31 December 2019
Senior Secured Notes	346,475				(10,300)	3,730	339,905
Bank loans	12,454	3,965		(1,899)		235	14,755
Current bank overdrafts, advance payments and hot money	5,247	1,197	2,446	(6,444)			2,446
Accrued and deferred expenses on loans	574			(31,473)		31,598	699
BANK DEBTS	**364,751**	**5,162**	**2,446**	**(39,816)**	**(10,300)**	**35,563**	**357,806**
Finance lease obligations	3,577	3,440	289	(1,432)		(21)	5,853
Operating lease liabilities	48,602	162	6,493	(6,525)	(466)	(5,347)	42,920
Payables for assignments of trade receivables with recourse	18,379		75,484	(65,690)			28,174
Due to factoring agencies for assignments without recourse	9,934		7,558	(9,934)			7,558
Other financial liabilities	2,411	4,710	9,933	(4,071)		13,296	26,279
FINANCIAL LIABILITIES	**447,655**	**13,473**	**102,203**	**(127,467)**	**(10,766)**	**43,491**	**468,589**

(in thousands of Euro)	31 December 2018 restated	Business Combinations	New loans	Refunds / Repayments	Buy-back/ Early termination	Other changes	31 December 2019
Current financial assets	(5,532)					713	(4,819)
NET FINANCIAL LIABILTIES	**442,124**	**13,473**	**102,203**	**(127,467)**	**(10,766)**	**44,204**	**463,770**

The adoption of IFRS16 – *Leases* entailed the restatement of the accounting data with effect from 1 January 2019 for the recognition of a financial liability equal to € 48.6 million, relating to the discounted value of future payments to be made on property leases and operating hires for which the book value of the Right of Use embedded in these contracts is stated among fixed assets. In consideration of these contracts payments as a reduction in the liability for € 6.5 million were made during the year, while new contracts were entered into for a present value of € 6.5 million upon recognition. Finally, differences for early termination were reported for € 0.5 million.

The business combinations for the year (in particular the acquisition of the Polish company Naprzód) entailed overall effects for € 13.5 million on net financial liabilities.

In early 2019 Rekeep S.p.A. formalized the purchase of portions of its bond issue on the open market for a total nominal amount of € 10.3 million. The weighted average repurchase price was less than 85% against a price for the issue equal to 98% at 6 July 2017. These transactions entailed the recognition of financial capital gains, net of related fees, equal to € 1.6 million through consolidated profit or loss in 2019, as well as the cancellation of the Notes involved in the buy-back transactions. The issue discount and the additional costs incurred for the launch of the bond issue were also accounted for according to the amortized cost method and generated financial amortization charges of € 3.7 million for the year, of which € 0.4 million related to the write-off of the up-front fees in proportion to the buy-back made.

Payments of instalments on bank loans were made for € 1.9 million during the year, of which an amount of € 1.1 million relating to the C.C.F.S. loan of the Parent Company Rekeep S.p.A..

At 31 December 2019, there was also the recognition of accrued expenses on loans in a total amount of € 1.5 million (of which € 1.4 million related to the amount accrued on the bond coupon due on 15 June 2020) and prepaid financial expenses of € 0.8 million, of which an amount of € 0.5 million relating to the remaining amount of costs to be amortized for obtaining the Revolving Credit Facility ("RCF"). At the same time as the bond issue, CMF S.p.A. in fact entered, as the Parent Company, into a Super Senior Revolving loan agreement for € 50 million, to which Rekeep S.p.A. is a party as Borrower. CMF S.p.A. had charged all financing costs (equal to € 1.0 million) back to the Parent Company, which will be also amortized on a straight-line basis throughout the entire term of the credit facility (no drawdown had been requested on the reporting date). This amortization had an impact of € 0.2 million on the 2019 financial year.

As at the closing date of the year short-term uncommitted credit lines had been used for hot money and advances on invoices of € 2.4 million (aimed at meeting peaks in temporary cash requirements linked to the natural performance of operations), against a balance of € 5.2 million at 31 December 2018. Furthermore, Rekeep S.p.A. has an agreement for the assignment of trade receivables with recourse in place with Unicredit Factoring S.p.A., concerning receivables from customers in the Public sector.

During 2019, assignments were made in an overall nominal amount of € 75.5 million while the outstanding balance amounted to € 23.7 million at 31 December 2019 (€ 18.4 million at 31 December 2018). The Polish subsidiary also reported payables for assignments of receivables with recourse equal to € 4.4 million.

Furthermore, the Group companies collected amounts of € 7.6 million at 31 December 2019 concerning receivables included in assignments without recourse for which the respective debtors have not made any payment to the bank accounts specified by the factor. These amounts constitute a financial liability for the Group, which gave rise to the payment of said amounts at the beginning of the subsequent quarter.

Finally, there was the recognition of payables for the acquisition of investments for a total amount of € 9.9 million, mainly relating to the deferred price for the acquisition of Naprzód S.A. (€ 7.2 million) to which must be added the debt for the acquisitions carried out by the latter prior to joining the Rekeep Group (€ 2.7 million).

Furthermore, other changes in the year included the debt for the dividend resolved by the Parent Company in favour of its controlling company Manutencoop Società Cooperativa on 17 December 2019, equal to € 13 million, which was paid on 31 January 2020.

Finally, the balance of short-term financial assets decreased by € 0.7 million in 2019, mainly due to a reduction in the balance of pledged current accounts used within the scope of the abovementioned agreements for the assignment of trade receivables without recourse, for which the parent company Rekeep S.p.A. operates the collection service (- € 0.7 million). Furthermore, following the fulfilment of some contract conditions, an amount of € 1.2 million was collected during the year in relation to a portion of the deferred price of the corporate assignments to 3i EOPF in December 2018. Furthermore, a financial receivable equal to € 2.2 millon was recognized at 31 December 2019 on account of a price adjustment in relation to the acquisition of the investment in Naprzód S.A..

Finally, the accounting balances of financial assets and liabilities pertaining to the sub-group controlled by Sicura S.p.A. were stated among “Other changes.” The reclassification according to IFRS5 entailed a reduction in consolidated financial liabilities for € 8.4 million, of which an amount of € 2.2 million related to the present value of the put option recognized within the scope of the acquisition of Emmetek S.r.l. in July 2019 and an amount of € 5.4 million relating to the financial liability for operating leases.

2.3 Financial ratios

The main financial ratios for 2019, calculated at consolidated level, compared with the same ratios recorded for 2018, are reported below, as adjusted by the effects of the adoption of FRS16. Furthermore, a comparison is presented with the pro-forma ratios of the merger of CMF S.p.A., which took place on 1 July 2018, in order to reflect the effects of this merger on the financial year of 12 months.

	2019	2018 Restated	2018 Restated Pro-forma CMF
ROE	2.2%	10.4%	3.9%
ROI	11.5%	11.3%	11.2%
ROS	5.9%	6.1%	6.0%

ROE (*Return on Equity*) provides a summary measurement of the return on capital invested by shareholders. The ratio reflects a lower consolidated Net Profit in 2019 compared to the previous year (€ 3.4 million at 31 December 2019 against € 15.7 million in 2018). On the other hand, there was a value of the Equity reserves which remained substantially unchanged (- € 1.5 million) despite a distribution of the Parent Company's dividends for € 13.0 million.

ROI (*Return on Investments*) provides a summary measurement of the operating return on capital invested in a business. The performance reflects an increase in the Group's gross Invested Capital (+ € 8.8 million) against an increase in EBIT for the year used for the calculation of the ratio (€ 59.5 million and € 57.5 million in 2019 and 2018, respectively).

ROS (*Return on sales*) provides a summary measurement of the Group's ability to convert turnover to EBIT and stood at 5.9% in 2019 compared to 6.1% in 2018, against a positive change in turnover (+ 6.0% compared to 2018) more than proportional compared to the increase in EBIT (+ 3.4%).

	2019	2018 Restated	2018 Restated Pro-forma CMF
Current ratio (Current liabilities / Current Assets)	0.84	1.05	1.05
Ratio of financial charges to turnover (Financial charges / Revenues)	4.5%	3.8%	4.8%
Capital adequacy ratio (Equity / Total payables)	14.1%	17.1%	17.1%
Liquid return ratio of assets (Cash flow / Total Assets)	3.5%	4.8%	4.0%
Social security and tax debt ratio **(Social security and tax** debt / Revenues)	14.0%	6.6%	6.6%

The general liquidity ratio (*current ratio*) represents the ratio of current assets to current liabilities and expresses the company's ability to cover current outflow (i.e. current liabilities) with current income (i.e. current assets). The ratio mainly reflects an increase in current liabilities, in particular for the recognition of the debt for the notice of payment for the deposit requested within the scope of the dispute concerning the FM4 Tender (€ 94.6 million). This debt may be repaid in 72 instalments, subject to the restatement

of this debt after the trial proceedings concerning the judgment handed down by the Lazio Regional Administrative Court scheduled for 5 May 2020.

This event also affects the Capital Adequacy ratio, which however remains in line with industry averages. It should be noted that the debt has been stated among current liabilities against an entry under non-current assets for a sum equal to the amount stated in the notice of payment itself, pending the settlement of the dispute and any possible request for the recovery of excess amounts already paid.

	2019	2018 Restated	2018 Restated Pro-forma CMF
Indebtedness ratio	0.71	0.68	0.68
Medium/Long-term indebtedness ratio	0.77	0.79	0.79

The indebtedness ratio, which is the ratio of net debt to the sum of net debt and own equity, stood at 0.71, showing a slight increase compared to the previous year, against a more than proportional increase in the Net financial indebtedness compared to the decrease in net Capital, mainly due to the lower consolidated result of operations.

The medium/long-term indebtedness ratio, expressed as the ratio of consolidated financial liabilities and total sources of funding, decreased from 0.79 in 2018 to 0.77 in 2019, thus reflecting a decrease in the balance of medium/long-term loans (- € 6.5 million), mainly following the buy-back of € 10.3 million on the Senior Secured Notes during the first quarter of the year.

Productivity ratios

The growing diversification of services provided by the Group companies entails a mix of work carried out by employees ("internal" workers) and work carried out by third parties ("external" workers). It can also vary significantly depending on the organisation/economic choices made in order to maximise overall productivity.

	2019	2018	2017
Turnover/internal and external personnel costs	1.47	1.44	1.41
Make ratio	61.3%	59.6%	58.2%

At 31 December 2019 the ratio between *Revenues from sales and services* and the total amount of costs for internal and external personnel used in production (cost of employed workers, cost of external workers, services provided by consortia and professional services) came to 1.47 (1.44 at 31 December 2018). The ratio shows a recovery in the growth of sales volumes against a different mix of composition of operating cost (and in particular in the weight of costs for "internal" personnel", which vary in a way that is not entirely proportional compared to changes in turnover).

The "make ratio", i.e. the ratio between the cost of internal labour ("make") and the cost of services provided by third parties, services provided by consortia and professional services, also shows an increase. This represents a greater recourse to internal production factors than to purchasing services from external sources, just due to a changed mix of contracts in the backlog.

3. ANALYSIS OF THE PERFORMANCE OF OPERATIONS AND OF THE FINANCIAL POSITION OF THE PARENT COMPANY REKEEP S.P.A.

The Group's head office functions are developed around its Parent Company, in which the main facility management activities were centralised in the past, which are now coupled with more specialist and industry-based activities carried out by investee companies.

Income and costs relating to non-recurring events and operations (as already described in Paragraph 1 of the Report on Operations) were recognized in the Parent Company's Statement of Profit/Loss for 2019 as stated below:

(in thousands of Euro)	For the year ended 31 December	
	2019	2018
Legal advice on pending administrative disputes	645	241
Structural reorganisation consulting fees	1,081	2,319
M&A and non-recurring transactions of Group companies	1,024	0
Transactions with the members of TJA ***("Raggruppamento Temporaneo di Imprese"***)	574	0
Rebranding Project	0	3,904
Compensation for damages by Consip S.p.A.	0	(4,274)
NON-RECURRING OPERATING COSTS (INCOME) IMPACTING ON EDITDA AND ON EBIT	**3,294**	**2,191**

3.1 Economic results in 2019

The main income data of the Parent Company Rekeep S.p.A. for the year ended 31 December 2019, as well as a comparison with the figures from the previous year.

As already noted in the preamble for consolidated data, some newly-issued IFRS and in particular IFRS16 – Leases were adopted from the 2019 financial year. The parent company Rekeep S.p.A. reports its separate financial statements according to these accounting standards and, for the sake of greater clarity, comparative data have been restated in order to account for the effects of the new accounting standard, as for consolidated data.

(in thousands of Euro)	For the year ended 31 December		Change	%
	2019	2018 restated		
Revenues	690,177	721,478	(31,301)	-4.5%
Costs of production	(623,594)	(655,417)	31,823	-4.9%
EBITDA	**66,583**	**66,062**	**522**	**+1.0%**
EBITDA %	**9.6%**	**9.2%**	**+0.6%**	
Amortization, depreciation, write-downs and write-backs of assets	(21,747)	(23,717)	1,970	
Accruals and reversal of provisions for risks and charges	(2,911)	(3,570)	659	
Operating income (EBIT)	**41,925**	**38,774**	**3,150**	**+9.0%**
EBIT %	**6.1%**	**5.4%**	**+0.2%**	
Income (charges) from investments	11,015	13,033	(2,019)	
Net financial charges	(36,034)	(30,206)	(5,828)	
Profit before taxes	**16,905**	**21,602**	**(4,696)**	**-22.4%**
Profit before taxes %	**2.4%**	**3.0%**		
Income taxes	(11,164)	(5,914)	(5,250)	
Profit from continuing operations	**5,741**	**15,688**	**(9,947)**	
Profit (loss) from discontinued operations	**0**	**0**	**0**	
NET PROFIT	**5,741**	**15,688**	**(9,947)**	
NET PROFIT %	**0.8%**	**2.2%**		

In 2019 Revenues for Rekeep S.p.A. stood at € 690.2 million, showing a decrease of € 31.3 million compared to € 721.5 million in the previous year. With effect from 1 November 2018 the business unit relating to the Trenitalia contracts was, in fact, transferred to subsidiary Rekeep Rail S.r.l., which achieved a turnover of € 41 million in 2019. Net of this change in the perimeter of sales, an increase in volumes was then reported, which was driven by, among others, the volumes guaranteed under the new MIES 2 agreement in full operation (+ € 23.3 million compared to 2018).

The controlling company Rekeep S.p.A. guarantees the Group a substantial portion of consolidated results (about 70% of consolidated Revenues), internally developing operational structures for the traditional business of facility management, as well as administrative and technical functions for most of other Group companies as well as the Parent Company itself.

In considering the impact of the new IFRS16 in both comparative periods, the Company's EBITDA for the year ended 31 December 2019 came to € 66.6 million against € 66.1 million for the year ended 31 December 2018. Furthermore, note that

EBITDA for 2019 was affected by non-recurring costs (net of any income) of € 3.3 million, while non-recurring costs amounted to € 2.2 million in the previous year. Adjusted EBITDA, which excludes these non-recurring elements, was then equal to € 69.9 million for the year ended 31 December 2019, against Adjusted EBITDA of € 68.3 million at 31 December 2018, with an appreciable improvement in terms of profit margins too.

In 2019 the Parent Company contributed to consolidated EBITDA for about 65% (in line with the value posted in the previous year). The remarks concerning the Group's income performance, in fact, are fully borne out in Rekeep S.p.A., since the recovery in volumes described more generally for the facility management segment was even more evident in the Parent Company.

As regards *operating costs*, there were higher *Costs of raw materials and consumables* for € 9.5 million, lower *Costs of services* for € 9.0 million against lower *Personnel costs* for € 31.9 million. The decreasing volume trend also reflects a change in production costs, although with a different performance in the various cost items (due to a different mix of services rendered) and in a non-proportional manner, partly because of a well-established cost efficiency policy which was applied in support of profit margins as early as in previous years.

The average number of employees that worked for Rekeep S.p.A. during 2019 was equal to 13,076, of which 351 were provided by Manutencoop Società Cooperativa (13,712 in the previous year, of which 386 were provided by Manutencoop Società Cooperativa). As stated for costs for services and consumption of materials, the number of employees, and specifically of manual workers, is closely linked to the mix of services being performed. Furthermore, 904 units were transferred to the subsidiary within the abovementioned sale of the business unit to Rekeep Rail S.r.l..

In 2019 **EBIT** came to € 41.9 million against EBIT of € 38.8 million in 2018. In 2019 *Amortization and depreciation* amounted to € 13.8 million against € 14.3 million at 31 December 2018. This item includes amortization of intangible assets of € 6.3 million (€ 6.4 million at 31 December 2018) and depreciation of property, plant and equipment of € 1.7 million (€ 2.0 million at 31 December 2018). Amortization of Rights of use was also recognized for € 5.9 million in 2019 (unchanged compared to the value that would have been recorded in 2018).

Net write-downs of trade receivables amounted to € 1.4 million, including a reversal of € 0.6 million (€ 2.7 million at 31 December 2018).

Furthermore, during 2019 note *write-downs of equity investments* of € 6.5 million (€ 6.4 million at 31 December 2018) which were mainly related to the subsidiaries operating in the B2C market (Yougenio S.r.l.) and for facility services on rolling stock (Rekeep Rail S.r.l.). On the other hand, in 2018, write-downs of assets were recorded for € 0.3 million (not reported in 2019) concerning some credit positions claimed from suppliers.

No non-recurring provisions or write-downs were recorded in the two financial years under comparison.

At 31 December 2019 **Adjusted EBIT** then came to € 45.2 million (equal to 6.6% in terms of profit margins relating to the Revenues for the year) against € 41.0 million at 31 December 2018 (equal to 5.7% of related Revenues).

To EBIT must be added Dividends and net income from equity investments amounting to € 10.4 million, compared to an amount of € 10.5 million in the previous year. This item includes dividends collected from investee companies, as detailed below:

(in thousands of Euro)	Year ended 31 December	
	2019	2018
Servizi Ospedalieri S.p.A.	8,480	8,840
Telepost S.p.A.	1,204	782
H2H Facility Solutions S.p.A.	597	442
Other minor dividends	138	395
DIVIDENDS	**10,418**	**10,459**

The Company also recorded an income of € 0.6 million in the period, in relation to the collection of the earn-out amount on the disposal of Synchron Nuovo San Gerardo di Monza S.p.A. to 3i EOPF in December 2018. This income was not recognized at the same time as the disposal because it was linked to uncertain and unforeseeable future events that occurred during 2019.

In 2019 net capital gains were also accounted for on the disposal of equity investments (net of additional costs on the transactions) for € 2.6 million, linked to the transfers of MFM Capital S.r.l. to 3i EOPF and of Progetto ISOM S.p.A. to Sinloc – Sistema Iniziative Locali S.p.A..

Financial income increased by € 2.7 million compared to the previous year, mainly against higher interest income from customers (+ € 1.1 million) relating to default interest obtained in consideration of the in-court settlement, on favourable terms, of some disputes arisen with specific customers in previous years. Furthermore, note the recognition of capital gains equal to € 1.6 million on the purchase of portions of its bond issue on the open market for a total nominal amount of € 10.3 million during the year.

The impact of *financial charges* on the Company's results of operations was equal to € 42.7 million, with an increase equal to € 8.6 million compared to € 34.1 million in 2018, including the effects of the adoption of IFRS16.

The financial debt structure reported significant changes with respect to the two comparative periods. In fact, the income statement for the year was affected by higher financial costs arising from the transfer of the bond debt (equal to € 360 million) to Rekeep S.p.A. from the third quarter of 2018 only, following the merger by incorporation of the issuer CMF S.p.A. and the consequent repayment of the Proceeds Loan granted by the latter within the refinancing transaction of 2017 (equal to € 174 million at the date of the merger itself). The financial charges accrued on the Proceeds Loan came to € 7.9 million during the first half of 2018, to which were added financial charges of € 16.2 million on the Notes accrued for Rekeep S.p.A. from the third quarter of 2018. In 2019 the financial charges accrued on the coupons came to € 31.6 million. The above-mentioned buy-back transactions that were carried out during the first quarter of 2019 on the other hand ensured savings of € 0.8 million on the financial charges accrued on the repurchased portions for the time being.

Finally, the *upfront fees* relating to the issue of Senior Secured Notes were accounted for according to the amortized cost method, which entailed financial amortization charges of € 3.7 million in 2019, of which an amount of € 0.4 million relating to the write-off of the portion relating to the repurchased Notes. On the contrary, financial amortization charges totalling € 2.4 million had been accounted for in 2018.

The costs charged back by CMF S.p.A. within the subscription of the Super Senior Revolving loan (known as "RCF") for € 50 million, initially equal to € 1.0 million, are also amortized on a straight-line basis throughout the entire term of the credit facility. The cost relating to this line of credit amounted to € 690 thousand (including the commitment fees charged by banks) in both periods under comparison. No drawdown was requested on the RCF in 2018 and 2019.

Finally, interest discount costs were recognized in relation to the assignments of trade and VAT receivables without recourse carried out with Banca Farmafactoring, Banca UCF and Banca IFIS for € 2.7 million (€ 2.2 million at 31 December 2018) in 2019.

With respect to the two comparative periods, the financial debt structure reported significant changes. On 1 July 2018 the merger became effective for the incorporation into Rekeep S.p.A. of its direct parent company CMF S.p.A., which had been established by Manutencoop Società Cooperativa in 2017 as a vehicle for the purpose of launching the Senior Secured Notes bond issue. The income statement for the year, was therefore affected by higher financial costs arising from the transfer of the bond debt (equal to € 360 million) to Rekeep S.p.A. from the third quarter of 2018 only, following the above-mentioned merger and the consequent repayment of the Proceeds Loan granted by CMF S.p.A. within the refinancing transaction (equal to € 174,220 thousand at the date of the merger itself). The financial charges accrued on the Proceeds Loan came to € 7,869 thousand during the first half of 2018, to which were added financial charges of €16,200 thousand on the Notes accrued for Rekeep S.p.A. as from the third quarter of 2018.

The financial charges accrued on the coupons came to € 31,576 thousand in 2019. The above-mentioned buy-back transactions that were carried out during the first quarter of 2019 on the other hand ensured savings of € 824 thousand on the financial charges accrued on the repurchased portions for the time being.

Finally, the *upfront fees* relating to the issue of Senior Secured Notes were accounted for according to the amortized cost method, which entailed financial amortization charges of € 3,730 thousand in 2019, of which an amount of € 387 thousand relating to the write-off of the portion relating to the repurchased Notes. On the contrary, financial amortization charges of € 2,415 thousand had been accounted for in 2018, of which an amount of € 1,604 thousand related to the additional issue costs of the Bond Issue as from the date of merger and € 810 thousand on the Proceeds Loan until its repayment.

At the same time as the bond issue, CMF S.p.A. also entered, as the Parent Company, into a Super Senior Revolving loan agreement (known as "RCF") for € 50 million, to which Rekeep S.p.A. is a party as Borrower. During 2017 CMF S.p.A. charged all financing costs (initially equal to € 1,000 thousand), back to Rekeep S.p.A., which will be also amortized on a straight-line basis throughout the entire term of the credit facility (no drawdown had been requested on the reporting date). The cost relating to this line of credit amounted to € 690 thousand (including the commitment fees charged by banks) in both periods under comparison.

Finally, costs for interest discounts related to the assignments of trade and VAT receivables without recourse carried out with Banca Farmafactoring, Banca UCF and Banca IFIS were recorded for € 2,749 thousand (€ 2,163 thousand at 31 December 2018) during 2019.

From the profit before taxes must be deducted taxes of € 11.2 million (€ 5.9 million at 31 December 2019), thus obtaining a positive *Net result* of € 5.7 million (€ 15.7 million at 31 December 2018, as restated for the effects of IFRS16).

Below is the breakdown of the tax rate for the year:

(in thousands of Euro)	For the year ended 31 December	
	2019	2018 restated
Profit before taxes	**16,905**	**21,602**
Current, prepaid and deferred IRES tax, including income and expenses from Tax consolidation	(7,803)	(2,985)
Current and deferred IRAP tax	(3,453)	(3,070)
Adjustments to income taxes related to previous years	92	141
Income taxes	**(11,164)**	**(5,914)**
Consolidated net profit (loss)	**5,741**	**15,688**
Total Tax rate	**66.0%**	**27.4%**

The Profit before taxes showed a decrease of € 4.7 million against a reduction of € 5.2 million in the overall tax burden. The tax rate amounted to 66.0% at 31 December 2019 against 27.4% at 31 December 2018. However, lower taxes of € 5.4 million were recognized in 2018, following the presentation of the supplementary returns of Forms Unico SC 2014 - 2018. Net of these proceeds, the overall tax burden would have been equivalent during the two comparative periods (€ 11.2 million) due to the substantial lack of changes in some tax components compared to the changes in Profit before taxes. Furthermore, the tax rate would come to 52.2% in 2018.

3.2 Statement of financial position

The table below reports the Sources and Uses, showing the accounting effects of the first-time adoption of the new IFRS 16 on Net financial indebtedness:

(in thousands of Euro)	31 December 2018	31 December restated
USES		
Trade receivables and advances to suppliers	289,183	307,940
Inventories	818	642
Trade payables and contract liabilities	(281,404)	(285,075)
Net working operating capital	**8,606**	**23,507**
Other elements of working capital	(105,055)	(51,730)
Net working capital	**(96,449)**	**(28,223)**
Property, plant and equipment and assets under finance leases	7,440	7,511
Rights of use for operating leases	29,723	33,589
Intangible assets	346,994	347,975
Investments	120,063	153,833
Other non-current assets	143,483	49,588
Fixed assets	**647,703**	**592,496**
Non-current liabilities	(42,631)	(42,599)
NET INVESTED CAPITAL	**508,623**	**521,673**
SOURCES		
Shareholders' equity	165,584	173,257
Net financial indebtedness	343,039	384,416
of which accounting effects of the adoption of IFRS 16	*33,055*	*35,857*
TOTAL FINANCING SOURCES	**508,623**	**521,673**

Net working capital

Net working capital (**NWC**) posted a negative value of € 96.4 million at 31 December 2019, with an increase in absolute value equal to € 68.2 million compared to the net liability posted at 31 December 2018 (€ 28.2 million).

Net working operating capital (**NWOC**), composed of Trade receivables and advances to suppliers and inventories, net of trade payables and contract liabilities, stood at € 8.6 million at 31 December 2019, while it was equal to € 23.5 million at 31 December 2018. The decrease was mainly due to a reduction in the balance of Trade Receivables and advances to suppliers (- € 18.7 million) against a less significant decrease in the balance of Trade payables and contract liabilities (-€ 3.7 million). The Company made assignments of trade receivables without recourse to Factors for € 136.8 million in the year, while the balance of receivables assigned and not yet collected by the latter at the reporting date amounted to € 52.1 million (€ 46.6 million at 31 December 2018). The **Adjusted NWOC** came to € 60.7 million and € 70.1 million, respectively, during the two years under comparison, with an overall decrease of € 9.4 million.

The balance of Other elements in working capital at 31 December 2019 consisted of a net liability of € 105.1 million (€ 51.7 million at 31 December 2018):

(in thousands of Euro)	31 December 2019	31 December 2018 restated	Change
Current tax receivables	6,474	10,410	(3,936)
Other current assets	16,798	13,100	3,697
Provisions for risks and charges, current	(5,450)	(5,944)	494
Other current liabilities	(163,019)	(69,296)	(93,723)
Non-current assets classified as held for sale	40,142	0	40,142
OTHER ELEMENTS IN WORKING CAPITAL	**(105,055)**	**(51,730)**	**(53,326)**

At 31 December 2019 the item included the payable relating to the deposit concerning the fine imposed by the Competition Authority in relation to the Consip FM4 Tender. Even while pending the proceedings on the merits, the hearing of which is scheduled for 6 May 2020, in fact, the Company took steps to recognize the liability arising from the notice of payment issued by the Revenue Agency – Collection among "Other current liabilities" in the Statement of Financial Position for the corresponding amount (€ 94.6 million). This liability will be paid off upon the payment of the 72 instalments set out in the plan of instalment payment of the amount stated in the notice itself, according to the methods set out and until the Company's appeal is possibly granted during the pending proceedings. Furthermore, the deposit was stated in the balance sheet assets among "Other non-current assets", since it constitutes a receivable against sums that are potentially subject to return following the settlement of the existing dispute (however, the time required for the judgment to become final cannot be estimated at present) and that cannot however be claimed automatically, even following the repayment of the entire debt.

Furthermore, at 31 December 2019 the value of the equity investment in Sicura S.p.A. was classified as "Non-current asset classified as held for sale" given the binding agreement signed on 13 February 2020 for the sale of the total share capital of the subsidiary to Argos Wityu, a pan-European Private Equity fund. Given a market value (€ 55.0 million) that is recognized as higher than the carrying amount of the investment itself, no impairment has been reported for fair value adjustments.

Net of this significant item, the change in the net liability was attributable to a combination of various factors, mainly including:

- the repayment of the residual debt related to the fine imposed by the Competition Authority during 2016, stated among "Other current liabilities" for € 4.4 million at 31 December 2018, for which the right of instalment payment was granted;
- the recognition of lower net income tax receivables of € 3.4 million compared to the previous year:
- a reduction in the short-term portion of provisions for risks and charges of € 0.5 million;

- the recognition of higher net VAT receivables for € 2.8 million (€ 4.7 million at 31 December 2019 against a receivable of € 1.8 million at 31 December 2018).

Fixed assets

Fixed assets include the following main items:

(in thousands of Euro)	31 December 2019	31 December 2018 restated	Change
Property, plant and equipment and assets under leases	7,440	7,511	(71)
Rights of use on operating leases	29,723	33,589	(3,866)
Intangible assets	20,573	21,554	(981)
Goodwill	326,421	326,421	0
Equity investments in subsidiaries, associates and joint-ventures	120,063	153,833	(33,770)
Other investments	4,695	4,644	52
Non-current financial assets	30,188	30,475	(556)
Other non-current assets	97,315	2,362	94,953
Deferred tax assets	11,284	11,837	(553)
FIXED ASSETS	**647,703**	**592,496**	**55,208**

The most substantial changes concerned:

- a reduction in the balance of "Equity investments in subsidiaries, associates and joint-ventures" against the already mentioned reclassification of the investment in Sicura S.p.A. as "Non-current assets classified as held for sale" (-€ 40.1 million), net of increases of € 13.0 million (of which € 11 million as an increase in the equity of Rekeep World S.r.l. to support long-term investments in foreign companies and € 2 million as an increase in the equity of Yougenio S.r.l.) and decreases of € 6.5 million due to write-downs (relating to Rekeep Rail S.r.l. e Yougenio S.r.l.);
- the recognition of the receivable, equal to € 94.6 million, among "Other non-current assets", which the Company reported against an entry of the payable for the payment of the deposit relating to the fine imposed on it by the Competition Authority in relation to the Consip FM4 Tender. Furthermore, the deposit was stated among non-current balance sheet assets, since it constitutes a receivable against sums that are potentially subject to return following the settlement of the existing dispute (however, the time required for the judgment to become final cannot be estimated at present) and that cannot however be claimed automatically, even following the repayment of the entire debt;
- a reduction in the net book value of the "Rights of use on operating leases", recognized following the first-time adoption of the new accounting standard iFRS16, against the agreements concerning property leases and the long-term hire for the motor vehicles of the corporate fleet. During the year increases of € 2.1 million were recorded for new agreements, of which

an amount of € 1.8 million for the corporate fleet, in addition to decreases for early withdrawal for € 0.4 million and amortization allowances for € 5.5 million.

Other non-current liabilities

"Other non-current liabilities" include liabilities relating to:

- TFR (employee benefits), equal to € 6.7 million and € 7.1 million at 31 December 2019 and 31 December 2018, respectively;
- long-term portion of provisions for future risks and charges (€ 22.7 million at 31 December 2019, substantially unchanged compared to 31 December 2018);
- deferred tax liabilities of € 13.2 million (€ 12.9 million at 31 December 2018).

Net Financial indebtedness

The Parent Company's net financial indebtedness at 31 December 2019 and at 31 December 2018 is reported below:

(in thousands of Euro)	31 December 2019	31 December 2018 restated
Long-term financial liabilities	377,265	388,242
Bank borrowings and current portion of long-term debt	55,693	43,141
GROSS FINANCIAL INDEBTEDNESS	**432,958**	**431,384**
Cash and cash equivalents	(64,654)	(63,379)
Other current financial assets	(25,265)	(19,588)
NET FINANCIAL INDEBTEDNESS	**343,039**	**348,416**

Net financial indebtedness amounted to € 433.0 million at 31 December 2019, against € 431.4 million at 31 December 2018 (including the financial liability that could be recognized in accordance with IFRS16). The figure relating to the adjusted net financial debt, which includes the balance of trade receivables assigned to the factor without recourse and not yet collected on the reporting date (€ 52.1 million at 31 December 2019 and € 46.6 million at 31 December 2018) remained substantially unchanged, from € 395.0 million at 31 December 2018 to € 395.1 million at 31 December 2019.

The 2019 financial year saw the payment of the six-monthly coupons on the Senior Secured Notes totaling € 31.5 million with settlement dates on 15 June and 15 December. The above-mentioned buy-back transactions that were carried out during the first quarter of 2019 on the other hand ensured savings of € 824 thousand on the financial charges accrued on the repurchased portions for the time being.

Furthermore, at 31 December 2019 there was the recognition of the payable for the dividend resolved to the benefit of the sole shareholder Manutencoop Società Cooperativa on 17 December 2019, equal to € 13 million, which was paid on 31 January 2020.

Finally "Other current financial Assets" increased by € 11.0 million, mainly as a result of a rise in the credit balances of current financial accounts registered in the name of subsidiaries (+ € 9.3 million). Furthermore, the financial receivable from subsidiary Rekeep Rail S.r.l. for the sale of the business unit (€ 1.6 million) stated at 31 December 2018 was collected in full during 2019.

Industrial Capex

In 2019 industrial capex incurred by the Company totaled € 7.4 million against disinvestments of € 0.5 million (€ 0.1 million at 31 December 2018):

(in thousands of Euro)	For the year ended 31 December	
	2019	2018
Acquisition of plant and machinery	2,097	1,131
Other investments in intangible assets	5,294	6,533
INDUSTRIAL CAPEX	**7,390**	**7,664**

3.3 Reconciliation of shareholders' equity and profit (loss) for the year of the Parent Company with corresponding consolidated figures

(in thousands of Euro)	31 December 2019		31 December 2018	
	Profit (loss) for the year	Shareholders' equity	Profit (loss) for the year	Shareholders' equity
SHAREHOLDERS' EQUITY AND PROFIT (LOSS) FOR THE YEAR AS SHOWN IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY	**5,741**	**165,584**	**15,971**	**174,892**
- Elimination of consolidated equity investment values	(1,826)	(149,686)	(903)	(163,309)
- Accounting of Shareholders' Equity to replace the values eliminated		35,016		64,740
- Allocation to consolidation difference		88,514		73,327
- Allocation of tangible assets	(4)	57	(4)	60
- Recognition of financial costs on options	(17)	(17)	(170)	(170)
- Dividends distributed to Group companies	(10,280)		(10,064)	

(in thousands of Euro)	31 December 2019		31 December 2018	
	Profit (loss) for the year	Shareholders' equity	Profit (loss) for the year	Shareholders' equity
- Profit generated by consolidated companies	1,887	1,887	7,016	7,016
- Associates and JVs valued at equity	(290)	1,699	(2,025)	1,922
- Tax effects on consolidation adjustments	(24)	(196)	(9)	(171)
- Reversal of statutory write-downs	8,100	8,923	6,639	7,214
- Other consolidation adjustments	(1)	190	(717)	(608)
Total consolidation adjustments	**(2,456)**	**(13,614)**	**(237)**	**(10,069)**
Shareholders' equity and profit (loss) for the year pertaining to the Parent Company	**3,285**	**151,970**	**15,734**	**164,823**
Shareholders' equity and profit (loss) for the year pertaining to Minority Interests	65	836	109	669
SHAREHOLDERS' EQUITY AND PROFIT (LOSS) FOR THE YEAR AS SHOWN IN THE CONSOLIDATED FINANCIAL STATEMENTS	**3,350**	**152,806**	**15,843**	**165,492**

4. INTERNAL CONTROL AND RISK FACTORS

The existence and operations of the internal control system at the level of the whole organisation and of the individual processes/activities must be satisfactorily supported and documented, both as regards drawing up the controls themselves and testing, conducted to ensure that they are operative and effective).

Rekeep S.p.A. has adopted additional rules for the Control System in order to ensure that the system of internal control is effective at the level of the whole organisation and of the individual processes/activities, the efforts are combined of the large number of persons that run the system, in order to improve the efficiency and efficacy of governance in terms of mitigating and/or hedging risk.

The additional rules govern the relations between the persons working in the Group that need to exercise control functions.

After the changes in law and in the self-regulation code, the persons who exercise these functions are:

- Internal Audit & Antitrust Compliance Office;
- The "Organismo di Vigilanza (ODV)", pursuant to Legislative Decree 231/2001

Internal Audit & Antitrust Compliance Office control activities

The Internal Audit & Antitrust Compliance Office function reports hierarchically and functionally to the Chairman of the Board of Directors.

Through periodic audits or special audits on specific areas, the Internal Audit function contributes to spreading the culture of internal control and corporate risk management. In addition, the function carries out ongoing monitoring of control systems existing in processes and procedures in order to mitigate non-compliance and reputational risks.

Supervisory Board's activities under Legislative Decree 231/2001

The Supervisory Board of Rekeep S.p.A. ("OdV") avails itself of operating staff made up of external resources belonging to a consulting company specialised in Risk & Advisory Services.

The work plan is approved annually by the Supervisory Board and supplemented on the basis of the experience gained in control activities carried out in previous years. The work plan for the 2019 financial year was approved by the Supervisory Board at the meeting held on 15 April 2019.

Given the Supervisory Board's independence in carrying out such specific audits as may be required from time to time, the basic checks approved by the Board are divided with reference to:

- economic and financial flow management area: audits on the various items of the Financial Statements (Balance Sheet and Income Statement) with powers going beyond the decisions that are more closely related to the Financial Statements, conducting in-depth analysis of the entire financial cycle and the protection of the Corporate Assets (analysis of bank reconciliations, clearing bank accounts, other receivables and payables, contingent items, other accounts, etc.);
- sensitive business areas for the purposes of Legislative Decree 231/2001: audits concerning the correct application of procedures relating to sensitive activities under Legislative Decree 231/2001 identified upon Mapping (Annex 1 attached to the Organisational, Management and Control Model). The sensitive activities subject to control are only those regarded as at "high risk" (in the above Mapping), even at the level of individual sub-activities".

For each audit, the Work Plan indicate:

1) the check to be carried out: describing the type of audit to be conducted;

2) the frequency of checks: from a quarterly to an annual basis;

3) the contact person at the company: for a better planning of the activity;

4) the selection of samples: sampling is the reference methodology for the work of the Supervisory Board and of its staff;

5) information: the action that is taken following the checks carried out.

The selection of samples to be audited is carried out by the audit team on the basis of the instructions provided in the Work Plan designed and approved by the Supervisory Board.

The audit team has direct access to the Company's ERP system for the extraction of financial statements, ledger accounts, accounting movements, etc..

The sampling criterion is specified within each area subject to audits and may vary from random sampling to sampling based on the materiality of items or professional judgement.

The control activity is carried out through the 231 Workstation® platform which allows an appropriate archiving and traceability of any and all audit activities carried out.

Upon the completion of the audit work on the part of the operating staff, a meeting is set for sharing the results of the audits, and the related report with the Internal Audit function of the Company.

The report reviewed in this manner is sent to the Supervisory Board and shared among its members at scheduled meetings.

Other risk factors

In addition to the risks identified in the current Group's internal control framework, the main risks linked to the market in which the Group operates (market risks), to the unique activities performed by Group companies (operating risks) and financial risks, are shown below.

Risks related to competition

The market in which the Group operates is characterised by increasing competitiveness due to the business combination processes underway between operators already equipped with significant organisations in the market of reference and able to develop models for the provision of the service mainly geared towards minimising prices for the customer. Over recent years, this has led to an increasingly tight competitive context which will probably continue in the future too.

Financial risks

Concerning financial risks (liquidity, credit, interest rate, exchange rate and price risks) the Group deals with in its operations and how they are managed, the subject is discussed in detail under note 37 in the explanatory Notes to the Consolidated Financial Statements, to which reference should be made.

5. ORGANISATIONAL MODEL PURSUANT TO LEGISLATIVE DECREE 231/2001

In 2019 some changes were made in the legislation, concerning the provisions of law falling within the scope of application of Legislative Decree 231/2001.

Following the changes that have occurred, Rekeep S.p.A. has updated its Organisational, Management and Control Model under Legislative Decree 231/2001. The Model was updated, considering both case law opinions and in-depth analyses of the new regulatory framework, on the basis of changes in procedures, the introduction of new activities and remarks and suggestions that emerged from the checks carried out and on changes in the company's organisation. On 11 November 2019 the Supervisory Board gave its favourable opinion on the draft Model, appointing the Chairman of the Supervisory Board to submit it for approval to the Board of Directors of Rekeep S.p.A., which then took place on 14 November 2019.

The Supervisory Board ("OdV"), appointed on 13 October 2017, is composed of:

- two external professionals, in the persons of Marco Strafurini and Giuseppe Carnesecchi, who replaced Mario Ortello on 22 October 2019;
- an internal member, in the person of Pietro Testoni, who also took on the position of Chairman.

6. ANTITRUST CODE OF CONDUCT

On 23 February 2017 the Board of Directors of the Parent Company Rekeep S.p.A. resolved to adopt the "Antitrust Compliance Programme" and subsequently approved an "Antitrust Code of Conduct of the Rekeep Group", aimed at all of its management, staff and auxiliary members, including those working for the Group Companies, in order to clarify the principles and rules applied to protect competition and provide guidance on the conduct to adopt in situations that might give rise to potential antitrust violations.

The Board of Directors also appointed the Manager responsible for the implementation of the Programme ("Antitrust Compliance Officer"), with the task of implementing and monitoring the programme itself.

The Antitrust Compliance Programme is composed of (1) an antitrust risk assessment summary that names the areas in which competition issues appear to be more important considering the Company's structure and fields of operations; (2) the Rekeep Group Antitrust Code of Conduct which sets out in detail how to behave when bidding in public tenders; (3) sets of internal procedures and operating instructions aiming at increasing prevention capacity and the correct management of situations with possible antitrust implications; and (4) *ad hoc* training sessions devoted to close examination of the competition issues of greatest interest to Rekeep with the purpose of enhancing the ability of the management and other operational resources to detect antitrust risk and take any appropriate action.

7. UPDATE ON LEGAL PROCEEDINGS

The updates are described below, which were reported at the date of approval of the Financial Statements and Consolidated Financial Statements on the disputes described in the explanatory notes, to which reference should be made for more details.

Antitrust Authority's order for sanctions on the Consip Tender of 2012 and "FM4 Tender" of 2014

During 2019 administrative proceedings continued in relation to the fine levied by the Competition Authority ("AGCM") to Parent Company Rekeep S.p.A. (formerly Manutencoop Facility Management S.p.A.) on 20 January 2016 due to the breach of competition rules on the part of some companies which had taken part in a European Union tender for cleaning services in school buildings called by CONSIP in 2012. On 23 December 2016, following a number of rulings handed down by the administrative court and by the Council of State, the Authority adopted a new order, recalculating the fine at € 14,700 thousand. Furthermore,

in relation to the Council of State's judgment no. 928/2017 filed on 1 March 2017, the Company filed an appeal with the Supreme Court for jurisdiction reasons. The Supreme Court declared the appeal inadmissible on 18 January 2019. The new order issued by the Competition Authority for redetermining the fine was also challenged before the Lazio Regional Administrative Court and the Company is waiting for the hearing to be scheduled.

The Company duly proceeded with the payment of this fine as from May 2017, for which the payment in 30 monthly instalments has been obtained at the legal interest rate. This debt was repaid in full during 2019.

Furthermore, on 23 March 2017 the Competition Authority notified Manutencoop Facility Management S.p.A. (now Rekeep S.p.A.) of the start of a preliminary investigation procedure against the Company itself, as well as against CNS – Consorzio Nazionale Servizi Società Cooperativa, Dussmann Service S.r.l., Engie Servizi S.p.A. (formerly Cofely Italia S.p.A.), ManitalIdea S.p.A., Romeo Gestioni S.p.A. and STI S.p.A. and subsequently extended to Exitone S.p.A, Manital Società Consortile per i Servizi Integrati per Azioni Consorzio Stabile, Manital S.c.p.a, Gestione Integrata S.r.l, Kuadra S.r.l in Liquidation, Esperia S.p.A, Engie Energy Services International SA, Veolia Energie International SA, Romeo Partecipazioni S.p.A, Finanziaria Bigotti S.p.A, Consorzio Stabile Energie Locali Scarl, in order to ascertain whether those companies put in place a possible anti-competitive agreement whose subject matter consisted of the coordination of the procedures for taking part in the tender called by Consip in 2014 for awarding the facility management services intended for properties mainly for office use of the Public Administration ("FM4 Tender"). On 9 May 2019, after the completion of the abovementioned proceedings, the Competition Authority served the final order, considering the existence of the agreement restricting competition between some of the abovementioned companies and imposing a sanction of € 91.6 million on the Company.

Rekeep S.p.A., also on the basis of what has been agreed with its lawyers and maintaining the position it has always taken on the matter, believes that the sanctioning order is completely groundless. The Company therefore considers that the measure is unjustified, and, since it is also sure of the absolute correctness of its conduct and of having always acted in compliance with the market rules applicable to the Consip FM4 Tender, on 3 July 2019 it challenged the Authority's order before the Lazio Regional Administrative Court (TAR) while submitting a preliminary request for suspending the payment of the sanction.

Finally, on 18 July 2019 the Lazio Regional Administrative Court granted the request submitted by the Company and ordered for the payment of the fine imposed by the Competition Authority to be suspended until the date it rules on the merits, subject to prior provision of a deposit, including through a surety policy, in favour of the Authority itself for an amount equal to the fine imposed on the Company, within 60 days from the date of the order. The hearing for discussing the merits has been set for 6 May 2020.

The Company filed an appeal against the Regional Administrative Court's order with the Council of State on 1 August 2019; on 12 September 2019 the Council of State rejected the appeal, confirming the Lazio Regional Administrative Court's order dated 18 July. On 17 September 2019 the Company informed the market that it had not provided any deposit in favour of the Competition Authority; on 29 October the latter formally asked the Company to provide the deposit within 15 days, in the enforcement of the Lazio Regional Administrative Court's order of September, while informing that, if the Company failed to do so, the sums due would be entered in the taxpayers' list. The Company has not provided any deposit within the expiry of said time limits, while believing that the payment of the sums entered in the taxpayers' list may be made within the time limits and according to the

methods prescribed by law, also pursuant to Article 19 of Presidential Decree 602/1973 and Ministerial Decree of 6 November 2013, as supplemented by the Directives issued by the Revenue Agency – Collection.

The entry in the taxpayers' list requested by the Competition Authority was made enforceable by the Revenue Agency following the issue of a notice of payment on 18 December 2019 for an amount of € 94.6 million, including collection charges of € 2.8 million. On 23 December 2019 the Company filed a request for payment of these amounts in instalments, which was formally granted on 10 January 2020. This measure provides for the payment of 72 monthly instalments, at an interest rate of 4.5%, as from 24 January 2020. The Company has started to duly pay these instalments, pending developments in the legal proceedings expected in the proceedings on the merits.

Furthermore, on 28 June 2019 Consip S.p.A. formally served on Rekeep S.p.A. the order providing for its exclusion from the FM4 Tender due to the breach of Article 38, paragraph 1.f, of Legislative Decree 163/2006, as well as of Article 68 of Royal Decree 827/1924 and of Article 38, paragraph 2, of Legislative Decree 163/2006, while also notifying the enforcement of the temporary guarantees provided by Rekeep S.p.A. in tendering (equal to € 3.9 million). In relation to this exclusion ANAC (*Autorità Nazionale Anti Corruzione*, National Anti-Corruption Authority) opened a procedure under Article 38, paragraph 1-*ter*, of Legislative Decree 163/2006. On 3 July 2019 Rekeep S.p.A. filed an appeal with the Lazio Regional Administrative Court in order to seek the annulment of the acts of Consip S.p.A.; on 10 July 2019 the administrative court ordered for them to be suspended pending its own ruling on the appeal against the Competition Authority's order, while also setting the hearing in chambers for the decision on the preliminary request at 11 September 2019. On that occasion the Lazio Regional Administrative Court partially granted the preliminary request against the order issued by Consip S.p.A., providing for the suspension of the enforcement of the temporary guarantees until the hearing on the merits set on 15 July 2020.

Rekeep S.p.A. appealed against the precautionary measure before the Council of State for the part which does not grant the request for suspending the exclusion from the Consip FM4 tender, while the Council of State rejected the appeal on 28 November 2019. On 4 November 2019 the Company submitted an appeal to the Lazio Regional Administrative Court against the procedure initiated by ANAC, which, at present, has been removed from the docket in consideration of the fact that on 24 January 2020 ANAC ordered the suspension of the procedure pending the settlement of the first-instance proceedings scheduled before the Regional Administrative Court for the Competition Authority's orders concerning the Consip FM4 tender and the exclusion therefrom.

To date, since the tender has not yet been awarded on a final basis, potential revenues relating to the FM4 Tender have never been included in the Group's portfolio of new and renewed contracts (backlog).

A detailed report on the administrative procedures in progress and further assessments made by the Directors at the end of the reporting period of the Consolidated financial statements at 31 December 2019 are included in the explanatory notes (notes 15 and 16), to which reference is made.

8. HUMAN RESOURCES AND ORGANISATION

As at the closing date of the 2019 financial year, the Rekeep Group employed 27,981 people (at 31 December 2018: 16,585 people), including personnel on lease from the Parent Company Manutencoop Società Cooperativa to Group companies, equal to 371 people (at 31 December 2018: 402 people). The significant increase was specifically linked to the acquisitions of companies during the year, and, in particular, of the Polish Naprzód group which contributed 9,386 new units. The number of employees of companies with operations in Italy is 17,700 units (31 December 2018: 16,183 units), of which 13,053 units relates the Parent Company Rekeep S.p.A. (31 December 2018: 13,099 units).

Below is the Group's staff broken down by different employee categories:

	31 December 2019	31 December 2018
Executives	79	54
White collars	1,772	1,196
Blue collars	26,130	15,335
EMPLOYEES	**27,981**	**16,585**

Prevention and protection

The system of delegated powers concerning safety at work was updated consistently with the most recent organizational structure during 2019. More specifically, delegated powers concerning 1st-level safety were granted and formalized by the CEO to the Managers responsible for the competent Areas and Functions.

The Health Protocol attached to the DVR (*Documento di Valutazione del Rischio*, Risk Assessment Document) rev. 8 of 18 December 2018 was reviewed during the year and various survey campaigns were conducted in preparation for updating, concerning: chemical risk (integrated services) - biomechanical overload - biological risk - work-related stress. Risks associated with working in confined spaces and at height were also scrutinised.

During periodic annual meetings (Article 35 of Legislative Decree 81/2008) these issues were discussed and shared with Occupational Physicians and Workers' Safety Representatives.

In continuing the work for the certification of the "safety management system OHSAS 18001", which was started by RINA in 2012, some sample orders were assessed by the certifying body in 2019. The findings of the audits carried out reported some minor instances of non-compliance (not affecting the validity of the certificate) with respect to which the Area Managers concerned and the various Corporate staff Functions (Prevention and Protection Service, Procurement Department, HR Department) have taken any related action. These instances are mainly formal and not material. The audit carried out by RINA has been concluded positively, thus allowing the group to maintain the certification.

Finally, in 2019 a periodic audit on the part of KHC for the approval of the Safety Management Systems was carried out, limited to cleaning services in the healthcare sector and transport of patients.

In 2019 the Prevention and Protection Service conducted 45 audits, distributed throughout all the areas. These audits were carried out to verify compliance with the regulations governing occupational safety and, in the event of any non-conformities, generated an improvement plan, shared with Area Operations Managers. In any case it has been seen that Safety is managed satisfactorily overall.

Healthcare supervision, performed by 42 occupational physicians widely distributed throughout the country, concerned all personnel exposed to "regulated" risks, i.e. occupational risks that may adversely affect health. As per the 2019 schedule, healthcare supervision was carried out on the staff members employed based on their duties in compliance with the health protocol attached to the Company's Risk Assessment Document. About 6,840 medical examinations were conducted, including periodic, long-term work absence, pre-employment and on-demand checks. During the year, work continued on improving the relationship between the Company and the Occupational Physician to manage operating staff in a more flexible manner, improving knowledge of the tasks performed by the workers and the relative risks and consequently improving the effectiveness and transparency of the judgments on their suitability. In fact, workers are often required to operate in more than one working environment (for example civil and healthcare sector) or to perform activities related to various duties (cleaning and auxiliary services) and this entails a change in the risks to which they are potentially exposed.

In 2019 the staff conducted a review of personnel with physical limitations, particularly as regards their upper limbs and ability to handle loads, in order to also reduce the risk of occupational diseases, which might generally be reported by workers to INAIL (National Institute for Insurance against Accidents at Work) through their trade unions. In 2019 57 reports were submitted (against 58 in 2018), most of them relating to tendinitis and skeletal muscle system diseases (attributable to carpal tunnel syndromes and herniated discs).

The trend in the Company's rate of accidents, as well as of the state of health of the staff under healthcare supervision, is updated and available per operation through the company intranet, together with the data relating to other causes of absenteeism.

Accidents are monitored on an ongoing basis and details of their causes, dynamics and material agents are available. 22 accidents in workplaces were reported in 2019. After analysis, some improvement actions were taken in order to enhance risk prevention, including the replacement of equipment for washing windows at height, issuing instructions for workers for the correct use of ladders and the formalization of a procedure when working alone. The extent to which supervisors report accidents and near misses and analyse their causes is still unsatisfactory, however.

Below are the rates calculated (data updated at 2 March 2020, net of events not recognized by INAL to date):

	2019	2018	2017	2016
Impact (no. of accidents x 1,000/average number. of workers)	64.08	69.05	69.16	62.53
Frequency (no. of accidents x 1,000,000/total worked hours)	52.26	56.29	57.68	52.57
Severity (days of accident +relapses x 1,000/ total worked hours)	1.30	1.51	1.51	1.59

There were no fatal accidents at work during 2019.

There are currently 14 Workers' Safety Representatives at Rekeep S.p.A. distributed throughout the areas of Operations. In 2019 they were involved in a training/education plan on occupational safety.

24 Health and Safety at Work inspections were also conducted at Rekeep S.p.A. during the year by control bodies (Local Health Authorities (ASL) and Provincial Labour Head Offices) on various operating units throughout the country. The number of inspection visits compared to the previous year remained substantially unchanged. In 2019 three administrative sanctions were paid for € 13,858.13. Finally, no environmental risk inspections were conducted by control bodies during 2019.

Rekeep S.p.A. is enrolled in the Italian Register of Waste Management Companies under the following categories:

- Category 1 (street cleaning) since 2018
- Category 8 (intermediation) since 2016
- Category 2bis (own-account transport) since 2017.

During 2019 the corporate procedures were updated in relation to waste management and related operating instructions (concerning waste classification, temporary storage, traceability and transport on one's own account); opportunities were taken to discuss with the Operations department how to meet regulatory requirements according to actual conditions at each work site.

The year was also dedicated to the functional and integrated design of waste management in agreement with the Area Managers.

Specific meetings were then held to analyse individual needs and appoint key management staff members.

We are still waiting for the new traceability system to be issued, which was scheduled for the first half of 2019 but which has not yet been presented to date. It is still obligatory, therefore, to keep a hard copy folder for incoming and outgoing waste records and identification forms.

During the year, 7 training sessions on waste were organised for a total of 132 trained contact persons and managers.A Waste management training session was also arranged, approved by the Engineers Council as valid for Engineers and Architects training credits, which involved various company departments.

The training material was published in the Company portal's new area on the subject of waste. An FAQ section was also published, which we shall continue to feed with fresh subjects and queries.

No audits were carried out by the supervisory bodies during the year. Three instances of non-compliance and related fines were reported in the delivery of urban waste to the appropriate bins, as they were always full, specifically two in Viterbo and one in Florence.

Training

In the course of 2019 financial year 830 training sessions were held by the Group, which involved 9,230 participants for a total of 80,913 training hours.

The table below shows the comprehensive results in 2019, divided into subjects and compared to the 2018 data:

	2019			2018		
Subject	**Editions**	**Participants**	**Hours**	**Editions**	**Participants**	**Hours**
Safety, Quality and Environment	609	7,435	51,939	522	5,380	45,558
Technical-professional	111	997	6,683	221	2,226	14,988
IT	5	43	401	20	162	1,996
English language	56	293	12,596	70	240	5,502
Management	49	462	9,364	46	460	11,340
TOTAL	**830**	**9,230**	**80,913**	**879**	**8,468**	**79,384**

There was an increase in foreign language training hours, in order to increase English language courses in the light of the Company's internationalisation projects. There also was an increase in the hours and number of colleagues involved in safety, quality and environmental courses, in order to continue to provide basic training for all staff members and operations. The Group is continuing to invest in management, technical and professional training with longer courses constructed for targeted populations.

As regards the Operations Department, in addition to basic safety courses, sessions were also held on Work at Height, Confined spaces, Electrical Risks, Licences for boiler and refrigeration plant technicians, Hoses, REI (*Résistance, Enchentolonage, Isolation*, i.e. Resistance, Air-tightness and Thermal insulation) fire-resistant doors, Hydrants, fire extinguishers and sprinklers in order to insource certain services and enhance the know-how of integrated services.

Training sessions continued for employees enrolled with the Council of Engineers and Architects, which were necessary in order for them to retain their registration (CFP), concerning the issues of Energy Management, waste management, Privacy and quality systems and procedures.

In 2019 the Group completed the first Talent Management course, which had involved more than 90 colleagues in 2017, and launched the second Rekeep Talent Academy course involving another 43 new colleagues. In addition, two new courses were launched involving the population of the first Talent course, in order to develop a Brand Ambassador team and a Group Change Agent team. In 2019 three of the Project works conceived in the Talent programme were taken up again and completed: a new Performance Appraisal system was put in place, the first experiments in Smart Working commenced using a training package constructed *ad hoc* in order to support the project and the Onboarding project was presented.

In the management area, two resources enhancement projects were also carried out: one for the Top Management and one for the Middle Management.

Finally, the Company went on with its project involving some employees attending the Executive MBA at the Alma Mater Studiorum Bologna Business School every year.

In 2019 work continued on the commitment to finance training costs by using 100% of the Foncoop funds and doubling the use of the Formatemp fund.

9. ENVIROMENT AND QUALITY

During 2019 the Parent Company Rekeep S.p.A. maintained, following audits carried out by RINA Services (the accredited certification body), the following certifications:

- UNI EN ISO 9001:2015 (Quality Management System)
- UNI EN ISO 14001:2015 (Environmental Management System)
- BS OHSAS 18001:2007 (Occupational Health and Safety Management System)
- SA8000:2014 (Social Accountability System)
- UNI CEI EN ISO 50001:2011 (Energy Management Systems)
- UNI CEI EN ISO 11352:2014 (Delivery of energy services)
- Qualifying company certification with respect to the requirements of Regulation (EC) No. 3030/2008, as amended and supplemented.

Following the re-certification process, SGS (the accredited certification body) reissued the certificate relating to the “Biocontamination Control System - Laundry Processed Textiles", bringing it into line with the 2016 revision of the standard. The Environmental Product Declaration (EPD) for the Hospital Cleaning Service was also maintained with the same body.

The Company also renewed its certification of the ANMDO IQC standard for the voluntary accreditation of suppliers of hospital cleaning and sanitation services. As required by Article 30 of Legislative Decree 81/08, as amended, the Company also obtained a certificate for its Safety organisation and management plan for the “Planning and delivery of cleaning, hygiene, sanitisation, disinfection and disinfestation services in public and private civil, industrial, commercial, healthcare, logistics and transport sectors. Delivery of auxiliary services in the public healthcare sector”. Finally, Rekeep S..A. obtained the EU Ecolabel Certificate for indoor Cleaning services according to the Commission Decision (EU) no. 2018/680.

Within the Group work continued to achieve certification or uphold requirements for the main following Italian companies:

Servizi Ospedalieri S.p.A.	The certification was renewed according to standards UNI EN ISO 9001:2015 (Quality Management System), UNI EN ISO 13485:2016 (Quality Management Systems. Requirements for regulatory purposes"), UNI EN 14065:2016 (Laundry processed textiles. Bio-contamination control system), UNI EN ISO 20471:2013 (High-visibility clothing – testing methods and requirements), UNI EN ISO 45001: 2018 (Occupational Health and Safety Management Systems), UNI EN ISO 14001:2015 (Environmental Management System). Furthermore the Company maintained the EC certification in compliance with Directive 93/42/EEC for the production of sterile kits and obtained the EC certification in compliance with Directive 89/686/EEC for the production of some Personal Protective Equipment. Furthermore, the SA8000:2014 certification and finally the UNI CEI EN ISO 50001:2011 certification (Energy management systems – Requirements and guidelines for use") were also obtained.
Rekeep Digital S.r.l	Upon the expiry of the three-year period of validity of the ISO 9001:2015 certificate (Quality Management System), steps were taken to certify the company purpose of "Planning and creation of process & technology outsourcing services for public and private clients. Delivery of call center services" once again. During the same year the company took steps to certify the scope of operations of its own contact center, "Design and delivery of customised inbound and outbound contact center services – H24 –for public and private clients" once again, adopting the new international standard ISO 18925-1:2017.
Yougenio S.r.l.	Work focused on maintaining the certification according to UNI EN ISO 9001:2015 standard (Quality Management System) for "Planning and delivery of facility management services (maintenance, cleaning, rearrangement of rooms and gardening)". During the year the Company maintained the qualifying company certification according to the implementing Regulation (EU) No. 2015/2067 and Presidential Decree 146/2018, for installation, leakage control, servicing and repair services for fixed refrigeration and air-conditioning equipment and heat pumps containing certain fluorinated greenhouse gases.
Rekeep Rail S.r.l.	Maintenance of UNI EN ISO 9001:2015 - Quality Management System, UNI EN ISO 14001:2015 - Environmental Management System, BS OHSAS 18001:2007 - Occupational Health and Safety Management System. The company is also certified according to the SA8000:2014 standard.
Consorzio Stabile CMF	The Consortium has obtained the environmental certification according to UNI EN ISO 14001 standards for the implementation of an Environmental Management System integrated with UNI EN ISO 9001 quality standards. In compliance with this certification, the Consortium has put in place a planned and organised system for the management of the various environmental issues related to the type of services provided. In 2019 the Consortium obtained UNI EN ISO 9001 - Quality Management System, UNI EN ISO 14001 - Environmental Management System, UNI CEI EN ISO 11353 - Energy Management System, UNI EN ISO 45001:2018 - Safety Management System, UNI EN ISO 50001:2011 - Energy Management System, UNI CEI EN ISO 11352:2014 - Energy Management - Energy Service Companies (ESCOs), SA 8000 - Social Accountability Management System certfications. The Certification was also obtained for companies under Regulation (EU) no. 517/2014 and Presidential Decree no. 146/2018 (Certification for the operation of installation, repair, maintenance and upgrading of air conditioning systems). Finally, the first SOA certification was drawn up by SOA Group.

Sicura S.p.A. and its subsidiaries	Maintenance of the certification according to the UNI EN ISO 9001:2015 standard (Quality Management System), assessed in accordance with ACCREDIA Technical Regulation RT-05 for: Design, installation and maintenance of fire-fighting equipment, fire barriers and anti-intrusion systems, anti-shoplifting devices, CCTV circuits and access control systems; Sale of products and services for safety at work; Provision of environmental, safety and business organisation consulting and training services; Design, construction and marketing of accident prevention equipment and safety systems for industrial machinery; Provision of labour medicine and preventive medicine services. IAF sector: 28,29A, 35, 37. Maintenance of the qualifying company certification under Regulation (EC) 842/2006, Presidential Decree 43/2012 and Accredia Technical Regulations RT-29 for monitoring leakages and recovering fluorinated greenhouse gases, installing, servicing and repairing fixed fire-fighting plants and extinguishers containing fluorinated greenhouse gases.
H2H Facility Solutions S.p.A.	Maintenance of the qualifying company certification under Regulation (EC) 842/2006, Presidential Decree 43/2012 and Accredia Technical Regulations RT-29 for installation, leakage control, servicing and repair services for fixed refrigeration and air-conditioning equipment and heat pumps containing certain fluorinated greenhouse gases. Maintenance of the certification according to the UNI EN ISO 9001:2015 (Quality Management System) standard. Maintenance of the certification according to UNI EN ISO 14001:201 (Environmental Management System) standard.
H2H Cleaning S.r.l.	Maintenance of the certification according to the UNI EN ISO 9001:2015 (Quality Management System) standard. Maintenance of the certification according to the UNI EN ISO 14001:2015 (Environmental Management System) standard. Maintenance of the certification according to the UNI ISO 45001:2018 (Occupational Safety Management System) standard. Maintenance of the certification according to the SA800:2014 (Social Accountability Management System) standard.
Telepost S.p.A.	Maintenance of the certification according to the UNI EN ISO 9001:2015 (Quality Management System) standard. Maintenance of the certification according to the UNI EN ISO 14001:2015 (Environmental Management System) standard.

No final convictions against Group companies for environmental crimes were reported during 2019.

10. RELATED PARTIES TRANSACTIONS

Concerning disclosure requirements laid down in art. 2428 of the Italian Civil Code regarding transactions between Group companies and related parties, it should be noted that all transactions carried out, including those between the Parent Company

and its subsidiaries, as well as between the subsidiaries themselves, fall within the scope of ordinary Group operations and are regulated at arm's length.

Equity and economic transactions as at 31 December 2019 are detailed thoroughly in the explanatory Notes to the Consolidated Financial Statements and the Separate Financial Statements of the Parent Company Rekeep S.p.A. for 2019, to which reference should be made.

11. CORPORATE GOVERNANCE

The Articles of Association of Rekeep S.p.A provide for the adoption of the ordinary management and control system pursuant to Articles 2380 and ff. of the Italian Civil Code.

The "ordinary" model provides for a Board of Directors, which is responsible for management and the supervision of strategy, and a Board of Statutory Auditors with control functions. The Board of Directors and the Board of Statutory Auditors remain in office for three financial years and the currently serving Bodies will remain in office until the date of the Shareholders' Meeting called to approve the Financial Statements at 31 December 2019.

12. RESEARCH AND DEVELOPMENT

During 2019 the Parent Company Rekeep S.p.A and subsidiary Telepost S.p.A. started R&D projects in order to improve their business and delivery of services. The projects were developed and coordinated by internal resources based on their specific skills and duties, with the involvement of specific consultants for the various areas of business and were all completed in 2019.

These research projects meet the requirements laid down in Law no. 190 of 23 December 2014 (Article 1, paragraph 35), as partly amended by Law no. 232 of 11 December 2016 (Article 1, paragraphs 15 and 16), as well as in the Implementing Provisions under a Decree issued by the Ministry of Economy and Finance in agreement with the Ministry of Economic Development on 27 May 2015 and fall within the scope of the parameters set out in the Communication from the Commission (2014/C 198/01) of 27 June 2014, which was published in the Official Journal C/198 of 27 June 2014. These regulations provide for a tax credit for investments made from 1 January 2015 to 31 December 2020 in relation to the expenses incurred in excess of the average of the same investments made in the three tax periods for the financial years 2012, 2013 and 2014, at a percentage of between 25% and 50% of the total incremental expense.

Total R&D costs incurred by the abovementioned companies in 2019 totalled € 1,112 thousand, of which an amount of € 1,016 thousand recognized as increases in intangible assets for the year. The proceeds relating to this tax credit were accounted for in the consolidated Statement of consolidated Profit/Loss as operating grants, as a decrease in related costs, for a total of € 48 thousand, while capital grants were recognized for R&D costs stated among intangible assets as a direct reduction in the historical cost of the assets, for € 266 thousand.

13. ADDITIONAL INFORMATION REQUIRED BY ART. 2428 OF THE CIVIL ITALIAN CODE

The company does not hold own shares, or shares or interests in parent companies, neither through trusts nor intermediaries.

In 2019 the Company did not purchase or dispose of own shares, or shares or interests in parent companies, neither through trusts nor intermediaries.

14. OTHER INFORMATION REQUIRED BY ART. 2497 OF THE ITALIAN CIVIL CODE

Rekeep S.p.A. is subject to the management and coordination activities of Manutencoop Società Cooperativa.

For details on transactions with both the entity that exercises management and coordination activities and with other companies that are subject to these activities, please refer to the Explanatory Notes to the Consolidated Financial Statements and the Explanatory Notes to the Financial Statements of the Parent Company Rekeep S.p.A..

15. SECONDARY OFFICES

Rekeep S.p.A. has no secondary offices in Italy.

On 18 March 2019 a permanent establishment was set up in Istanbul (Turkey) under the name of Rekeep World S.r.l. Merzeki Italya Istanbul Merkez Subesi.

16. TAX CONSOLIDATION AGREEMENT

The Manutencoop Group opted to apply the Group taxation system, pursuant to articles 117 et seq. of the T.U.I.R. ("*Testo Unico Imposte sui Redditi*", the Italian consolidated Law on Income Tax), which involves Manutencoop Società Cooperativa as consolidating company and the following consolidated companies:

- Rekeep S.p.A.
- Servizi Ospedalieri S.p.A.
- H2H Facility Solutions S.p.A.
- H2H Cleaning S.r.l.
- Telepost S.p.A.
- Rekeep Digital S.r.l.
- Rekeep World S.r.l.

- Rekeep Rail S.r.l.
- Yougenio S.r.l.
- S.AN.GE. Soc. Cons. a r.l.
- S.AN.CO. Soc. Cons. a r.l.
- Sicura S.p.A.
- Protec S.r.l.
- Evimed S.r.l.

Finally, the above-mentioned Companies participate in Tax Consolidation together with the following Manutencoop Società Cooperativa Subsidiaries but which are not part of the Rekeep Group:

- Segesta Servizi per l'ambiente S.r.l.
- Sacoa S.r.l.
- Nugareto S.r.l.

17. SUBSEQUENT EVENTS

On 13 February 2020 the binding agreement was signed for the sale of the total share capital of Sicura S.p.A. to Argos Wityu, a pan-European Private Equity fund. The transfer of the investment was completed on 28 February 2020 for a consideration equal to € 55,041 thousand. On the same date, Rekeep S.p.A. acquired 5.96% of EULIQ VII S.A., a company with registered office in Luxembourg, which directly controls AED S.r.l, with the aim to maintain and industrial partnership with the group controlled by Sicura S.p.A..

This sale is a part of the Rekeep Group's strategy of focusing on its core business, which also includes the sale of non-strategic assets so that financial resources are released for the implementation of the Business Plan, one of whose priority activities are business development in foreign markets.

As of the date of the preparation of the Separate and Consolidated Financial Statements, an international health emergency is in progress deriving from the widening of the Coronavirus (COVID-19) epidemic, which started in China and spread at the end of February 2020 to Europe, including Italy, the country of the Company's head office and one of those most affected by the diffusion of COVID-19.

Rekeep S.p.A. and the Group it controls, in compliance with the urgent legislative measures taken by the Italian Government and the instructions given by the Italian Ministry of Health and the Regions involved, have taken preventive measures and issued operating instructions to contain the spreading of the virus and safeguard the users of its services, its workers, its customers and

its potential visitors. The Company and Group Management staff members monitor the situation continuously so that they can take all the decisions in real time that are necessary to protect the health of the persons they are involved with on any basis.

As matters stand at present, it is not possible to make a reliable estimate of the impacts of this emergency.

More than 50% of the Group's activities consist of the provision of essential healthcare services. In the present emergency scenario, both the parent company Rekeep S.p.A. and its subsidiary Servizi Ospedalieri have received and are receiving requests for extra services and supplies such as extraordinary sanitisation and cleaning, fitting out hospital wards, other extraordinary maintenance work, additional bed linen and clothing and other equipment for healthcare personnel. The Group companies involved are continuing to deliver their services at full working capacity where requested, adopting all the preventive measures necessary to safeguard employees, healthcare personnel and users. These measures entail the additional cost of purchasing medical devices and specialist products.

On the other hand there is a partial reduction in activity in the private domestic market and in the sector of Public non-health Entities owing to the partial or total closure of offices, schools, museums, transport and commercial businesses.

The Management is monitoring the situation constantly and adopting all the possible solutions to limit costs, including through use of the incentives and social shock absorber measures provided by the Government.

On the basis of the action taken to deal with the present situation so far and the information to hand regarding the prolongation of the emergency measures taken by the Italian Government (and by the governments of the foreign countries in which the Group operates), as of the date of the preparation of this report, we do not believe that the effects of the COVID-19 emergency on the results for the 2020 financial year will be so substantial as to prevent the Company and the Group from obtaining positive results at the end of the year.

18. OUTLOOK

In the domestic market in 2019, the trend towards a recovery in revenues and profit margins that commenced in 2018 further strengthened, while abroad a major acquisition in the Polish market was made in the last part of the year, which is a jumping-off point that will enable our foreign business's contribution to the attainment of the Group's objectives to make a giant leap forward.

For the 2020 financial year, as regards the domestic market, although there are still signs of a slowdown in awarding tenders which are instead increasingly being launched, in particular on the part of regional purchasing group, and compatibly with the uncertainties that the health emergency related to the spread of the COVID-19 virus inevitably projects on our short-term business prospects (see, in this regard, note 17 "Subsequent events" above), we expect revenue volumes to hold firm, consistently with our objective of further consolidating our leading position on the domestic facility management market.

The profit margins of our activities in the domestic market, already put to the test by price pressure normally arising when contracts are renewed in the portfolio, are expected to remain substantially stable in 2020, supported by further and ongoing actions aimed at improving efficiency of variable costs and reducing fixed costs. On this front too, nevertheless, it is important to note that the present health emergency (COVID-19) may have adverse short-term effects which cannot be estimated exactly at present, as

the emergency is still in progress. The management will make all possible efforts to counter these effects by means of both our usual efficiency measures and recourse to all the instruments, such as incentives and social shock absorber measures, that the Italian Government is providing and will continue to provide to businesses.

As regards the development in international markets, as noted in the preamble, in 2020, after the first major M&A transaction that took place at the end of 2019 (the acquisition of Naprzód, a leading company in the Polish market of soft facility management services in the healthcare sector), on one hand we will continue to pursue the objective of integrating the Naprzód sub-group, a company that is already growing in the Polish market, which we wish to make a platform for the development of the Group's business in Central and Eastern Europe, including through the development of cross-selling synergies, and on the other hand we will strengthen our position in the markets in which the Group is already present (France, Turkey, Persian Gulf area), by focusing on portfolio development and reducing fixed costs.

We must bear in mind, however, that, a certain amount of uncertainty must exist regarding short-term business prospects in our foreign markets too, as a result of the above-mentioned COVID-19 health emergency. At the moment, in fact, it is even more difficult, under certain aspects, to make a forecast for these markets than for the domestic market, precisely because all the other countries in which the Group is present are at an earlier stage in the spread of the virus than Italy.

Finally, as regards financing, a further step will be taken towards future deleverage as a result of the combined effects of the acquisition of the Polish sub-group Naprzód which took place in October 2019 and the sale of Sicura in February 2020, and in 2020 it is expected to continue the plan aimed at reducing the net financial debt, based on a careful investment policy accompanied by additional and ongoing actions aimed at limiting working capital.

19. ALLOCATION OF THE RESULT FOR THE YEAR OF REKEEP S.P.A.

In concluding the report on the 2019 financial year the Directors invite you to approve the Financial Statements of Rekeep S.p.A. at 31 December 2019 and to allocate the profit for the year of € 5,741,153.70 to Extraordinary Reserve for the entire amount, given that the limits set out in Article 2430 of the Italian Civil Code have been achieved for Legal Reserve.

Zola Predosa, 24 March 2020

The Chairman and CEO

Giuliano Di Bernardo

CONSOLIDATED FINANCIAL STATEMENTS

at 31 december 2019

rekeep

minds that work

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousands of Euro)	NOTES	31 December 2019	31 December 2018
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipments	6	79,345	67,991
Property, plant and equipments under lease	7	47,146	5,984
Goodwill	9	387,778	407,622
Other intangible assets	8	26,823	25,634
Investments accounted for under the equity method	10	10,376	19,207
Other investments	11	4,957	4,905
Non-current financial assets	11	4,819	5,662
Other non-current assets	11	97,801	2,897
Deferred tax assets	32	16,026	15,017
TOTAL NON-CURRENT ASSETS		**675,071**	**554,919**
CURRENT ASSETS			
Inventories	12	7,910	7,421
Trade receivables and advances to suppliers	13	412,572	417,930
Current tax receivables	32	10,090	14,658
Other current assets	13	31,054	22,320
Current financial assets	14	4,819	5,532
Cash and cash equivalents	14	97,143	94,733
TOTAL CURRENT ASSETS		**563,588**	**562,594**
Assets held for sale	5	70,500	0
TOTAL NON-CURRENT ASSETS HELD FOR SALE		**70,500**	**0**
TOTAL ASSETS		**1,309,159**	**1,117,513**

(in thousands of Euro)	NOTES	31 December 2019	31 December 2018
SHAREHOLDERS' EQUITY			
Share capital		109,150	109,150
Reserves		5,710	5,029
Retained earnings		33,825	34,911
Profit/(loss) for the year attributable to equity holders of the Parent		3,285	15,734
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**151,970**	**164,824**
Capital and reserves attributable to non-controlling interests		771	559
Profit/(loss) for the year attributable to non-controlling interests		65	109
EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		**836**	**668**
TOTAL SHAREHOLDERS' EQUITY	**15**	**152,806**	**165,492**
NON-CURRENT LIABILITIES			
Employee termination indemnity	16	12,443	14,730
Provisions for risks and charges, non-current	17	25,439	25,189
Long-term financial debt	19	396,759	361,687
Deferred tax liabilities	32	16,393	14,525
Other non-current liabilities		551	660
TOTAL NON-CURRENT LIABILITIES		**451,585**	**416,791**
CURRENT LIABILITIES			
Provisions for risks and charges, current	17	6,392	6,948
Trade payables and contract liabilities	21	405,950	399,602
Current tax payables	32	1,280	954
Other current liabilities	21	192,465	90,360
Bank borrowings, including current portion of long-term debt, and other financial liabilities	19	71,830	37,366
TOTAL CURRENT LIABILITIES		**677,917**	**535,230**
Liabilities directly associated with non-current assets held for sale	5	26,851	0
TOTAL LIABILITIES DIRECTLY ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE		**26,851**	**0**
TOTAL LIABILITIES		**1,309,159**	**1,117,513**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(in thousands of Euro)	NOTES	For the year ended	
		31 December 2019	31 December 2018
REVENUE			
Revenue from contracts with customers	22	1,003,729	943,740
Other revenue	23	3,353	6,142
TOTAL REVENUE		**1,007,082**	**949,882**
OPERATING COSTS			
Costs of raw materials and consumables	24	(162,881)	(140,144)
Change in inventories of finished and semi-finished products		1,142	43
Costs for services and use of third-party assets	25	(318,581)	(325,258)
Personnel costs	26	(419,090)	(392,548)
Other operating costs	27	(8,954)	(6,660)
Lower costs for internal work capitalised		2,827	4,140
Amortization, depreciation, write-downs and write- backs of assets	28	(37,789)	(31,122)
Accrual (reversal) to provisions for risks and charges	29	(4,270)	(2,584)
TOTAL OPERATING COSTS		**(947,596)**	**(894,133)**
OPERATING INCOME		**59,486**	**55,749**
FINANCIAL INCOME AND EXPENSES			
Share of net profit of associates	10	(92)	1,466
Dividend and net income/(loss) from sale of investments	29	340	(843)
Financial income	30	3,796	1,597
Financial expenses	31	(45,040)	(33,544)
Gains / (losses) on exchange rate		(184)	(156)
Profit/(loss) before taxes from continuing operations		**18,306**	**24,269**
Income taxes	32	(14,956)	(8,426)
Profit/(loss) from continuing operations		**3,350**	**15,843**
Profit/(loss) after taxes from discontinued operations		0	0
Net profit (loss) for the year		**3,350**	**15,843**
Net profit (loss) attributable to non- controlling interests		(65)	(109)
NET PROFIT (LOSS) FOR THE YEAR		**3,285**	**15,734**

	For the year ended	
	31 December 2019	31 December 2018
Basic earnings/(losses) per share	0.030	0.144
Diluted earnings/(losses) per share	0.030	0.144
Basic earnings/(losses) per share from continuing operations	0.030	0.144
Diluted earnings/(losses) per share from continuing operations	0.030	0.144

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

(in thousands of Euro)	NOTES	For the year ended	
		31 December 2019	31 December 2018
NET PROFIT/LOSS FOR THE YEAR		**3,350**	**15,843**
Other components of the comprehensive income, which will be subsequently reclassified under profit/(loss) for the year:			
Differences arising from translation of financial statements in foreign currency		(81)	(557)
Share of other comprehensive income for the year of entities accounted for using the equity method, which will be subsequently reclassified under profit/(loss) for the year	10	115	301
Other components of the comprehensive income, which will be subsequently reclassified under profit/(loss) for the year:		**34**	**(256)**
Other components of the comprehensive income, which will not be subsequently reclassified under profit/ (loss) for the year:			
Actuarial gains /(losses on defined benefit plans		(1,053)	251
Income taxes		82	(3)
Net effect of actuarial gains /(losses)	16	**(971)**	**247**
Share of other comprehensive income for the year of entities accounted for using the equity method, which will not be subsequently reclassified under profit/(loss) for the year	10	(48)	14
Other components of the comprehensive income for the year, which will not be subsequently reclassified under profit/(loss) for the year		**(1,019)**	**261**
TOTAL PROFIT/(LOSS) IN THE STATEMENT OF COMPREHENSIVE INCOME, NET OF TAXES		(985)	**5**
TOTAL COMPREHENSIVE INCOME/(LOSS), NET OF TAXES		**2,365**	**15,848**
Equity holders of the Parent		2,419	15,987
Non-controlling interests		(54)	(139)

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of Euro)	NOTES	For the year ended	
		31 December 2019	31 December 2018
Net profit (loss) from continuing operations for the year		**3,350**	**15,843**
Income taxes for the year		14,956	8,426
Profit/(loss) before taxes		**18,306**	**24,269**
Amortization, depreciation, write-downs and (write-backs) of assets		37,789	31,121
Accrual (reversal) of provisions for risks and charges		4,270	2,584
Employee termination indemnity provision		1,086	1,073
Payments of employee termination indemnity		(2,119)	(1,875)
Utilization of provisions for risks and charges		(4,139)	(5,305)
Share of net profit of associates, net of dividends collected		290	2,841
Financial charges (income) for the year		41,428	32,103
Operating cash flows before movements in working capital		**96,911**	**86,812**
Decrease (increase) of inventories		(1,453)	(281)
Decrease (increase) of trade receivables		5,978	11,289
Decrease (increase) of other current assets		(6,962)	8,413
Increase (decrease) of trade payables		109	3,957
Increase (decrease) of other current liabilities		2,894	(5,984)
Change in Working Capital		**565**	**17,395**
Net interest received (paid) in the year		(33,904)	(25,823)
Income tax paid in the year		(6,715)	(11,808)
Net cash flow from operating activities		**56,857**	**66,575**
(Purchase of intangible assets, net of sales)	8	(7,681)	(7,947)
(Purchase of property, plant and equipment)	6-7	(25,020)	(24,040)
Proceeds from sales of property, plant and equipment	6-7	63	457
(Acquisition of investments)		8,700	11,041
Decrease (increase) of financial assets		2,114	460
Financial effects of business combinations	4	(10,813)	(1,529)
Assets held for sale and discontinued operations	5	(2,941)	220
Net cash flow used in investing activities		**(35,578)**	**(21,339)**
Change in finance lease debt	19	(1,143)	(445)

(in thousands of Euro)	NOTES	For the year ended	
		31 December 2019	31 December 2018
New (repayment of) operating leases	19	(6,993)	0
Proceeds from non-current borrowings	19	0	6,676
Repayment of non-current borrowings	19	(12,199)	0
Proceeds from/(repayment of) short term bank debt	19	(4,574)	(86)
Proceeds from non-current borrowings	19	6,350	(14,391)
Dividends paid		0	(70)
(Acquisition)/sale of minority interests in subsidiaries		(230)	(1,500)
Differences from financial statements translation in foreign currency		(28)	(126)
Net cash flow from / (used in) financing activities		**(18,816)**	**(9,942)**
Changes in cash and cash equivalents		**2,463**	**35,295**
Cash and cash equivalents at the beginning of the year		94,733	59,870
Changes in cash and cash equivalents		2,463	35,295
Translation differences on cash and cash equivalents		(53)	(432)
Cash and cash equivalents at the end of the year		**97,143**	**94,733**
Details of cash and cash equivalents:			
Cash and bank current accounts		97,143	94,733
TOTAL CASH AND CASH EQUIVALENTS		**97,143**	**94,733**

SUPPLEMENTARY INFORMATION

(in thousands of Euro)	For the year ended	
	31 December 2019	31 December 2018
Interest paid	(37,681)	(27,357)
Interest received	3,777	1,534
Dividends paid	0	(70)
Dividends received	431	903

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

The method used by the Group for transition to new IFRS 16 – *Leases* is the "Modified retrospective approach", which provides for the retrospective application to agreements previously classified as "operating" leases, accounting for the cumulative effect of this adoption, at the date of first-time adoption, as an adjustment to the balance of equity reserves at 1 January 2019.

	Share Capital	Reserves	Retained earnings	Result for the year	Total Shareholders' equity attributable to equity holders of the parent	Equity attributable to non-controlling interests	Total Shareholders' equity
1 January 2019	**109,150**	**5,029**	**34,911**	**15,734**	**164,824**	**668**	**165,492**
Effects of changes in accounting standards		(1,617)	(657)		**(2,273)**	(8)	**(2,281)**
1 January 2019 adjusted	**109,150**	**3,412**	**34,254**	**15,734**	**162,551**	**660**	**163,211**
Allocation of previous year result		16,163	(429)	(15,734)	**0**		**0**
Dividend distribution		(13,000)			**(13,000)**		**(13,000)**
Acquisition/sale of minority interests in subsidiaries					**0**	230	**230**
Total comprehensive income		(866)		3,285	**2,419**	(54)	**2,365**
31 December 2019	**109,150**	**5,710**	**33,824**	**3,285**	**151,970**	**836**	**152,806**

	Share Capital	Reserves	Retained earnings	Result for the year	Total Shareholders' equity attributable to equity holders of the parent	Equity attributable to non-controlling interests	Total Shareholders ' equity
1 January 2018	**109,150**	**144,854**	**43,755**	**642**	**298,401**	**381**	**298,782**
Allocation of previous year result		8,483	(7,841)	(642)	**0**		0
Dividend distribution					**0**	(70)	**(70)**
Increase in Capital Reserves		49,700			**49,700**		**49,700**
Business combinations "under common control"		(198,261)			**(198,261)**		**(198,261)**
Acquisition/sale of minority interests in subsidiaries			(1,003)		**(1,003)**	496	**(506)**
Total comprehensive income for the year		253		15,734	**15,987**	(139)	**15,848**
31 December 2018	**109,150**	**5,029**	**34,911**	**15,734**	**164,824**	**668**	**165,492**

EXPLANATORY NOTES

1. GENERAL INFORMATION

The publication of the Consolidated Financial Statements of the Rekeep Group for the year ended 31 December 2019 was authorized by resolution of the Board of Directors of 24 March 2020.

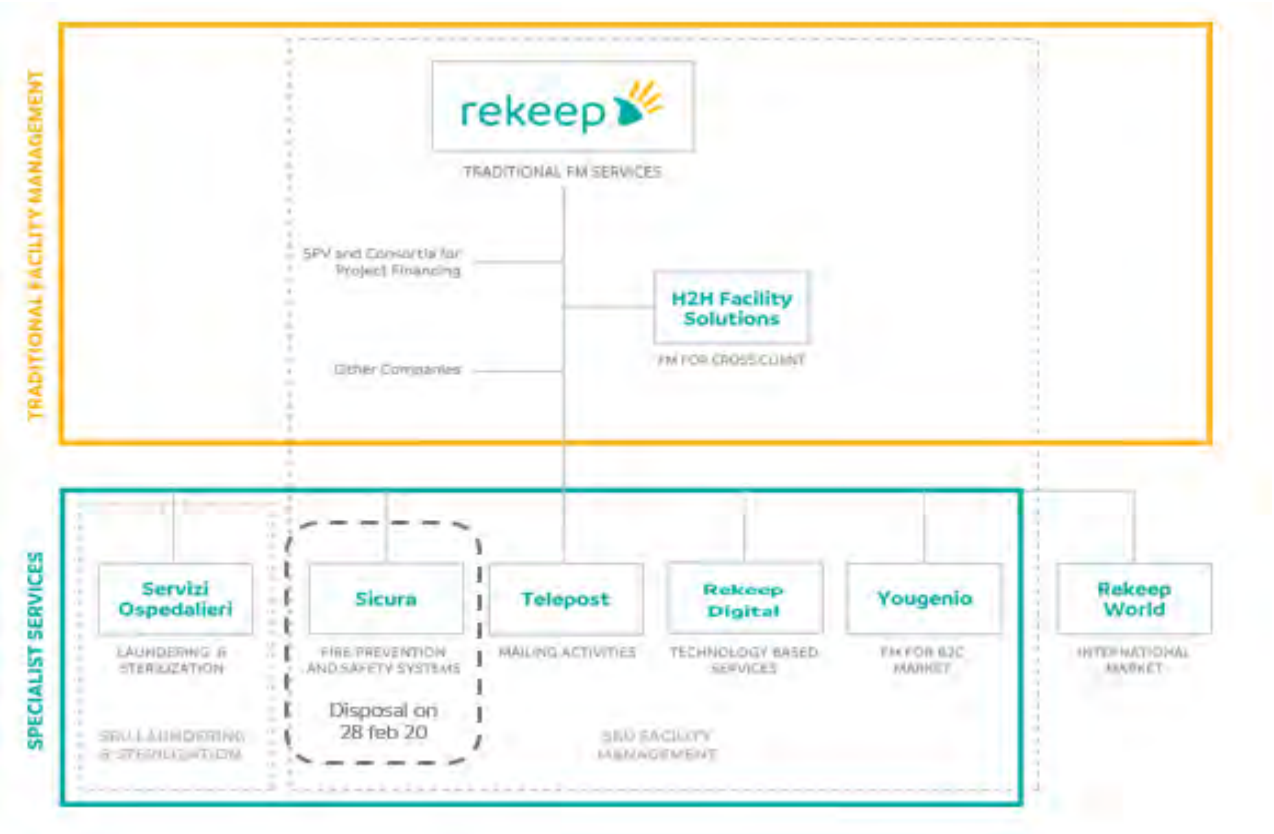
As at 31 December 2019 the share capital of Parent Company Rekeep S.p.A. was wholly held by the sole shareholder Manutencoop Società Cooperativa, which carries out Management and Coordination Activities.

1.1 The business

The Group is active in the management and provision of integrated services to public and private customers, targeted at properties, the area and to support (so-called "Integrated Facility Management") health care activities. In particular, the Rekeep Group provides a wide and coordinated range of integrated services, aimed at rationalising and improving the quality of the non-strategic and auxiliary activities of major private groups, public authorities and health care facilities.

At present the Rekeep Group is structured into a single operating holding company which combines so-called "traditional" facility management production resources with those related to supporting the whole Group's business. As early as from the previous financial years a strategy has been pursued by the central holding functions to diversify operations, also through a series of company acquisitions, with some "specialist" facility management services beside the historical core business (hygiene services, green spaces and technical and maintenance services), in addition to linen rental and industrial laundering services and surgical instrument sterilization at healthcare facilities and high technology B2B services. During 2016 diversification was further boosted in May by establishing Yougenio S.r.l., active in the provision of services to private consumers through an e-commerce platform, wholly owned by Rekeep S.p.A.. This event led the Group to enter the B2C services market. Furthermore, the Group started a major process of business development in international markets from the 2015 financial year, by establishing the sub-holding company Rekeep World S.r.l., which operates in France and Turkey through its subsidiaries since previous years. In addition, during 2019 new companies were established in Saudi Arabia with the aim of developing the operations of the Rekeep Group in the Arab region through partnerships with local operators and the majority of shares of Naprzód S.A., a leading company in Poland in the field of facility management in the healthcare sector, were acquired on 30 October 2019.

Therefore, the Group now operates through specific companies for each sector:



The Facility management segment offers a collection of logistic and organizational support services targeted at users of properties and aimed at optimizing the management of property-related activities.

The so-called ‘‘traditional’’ Facility management services provided by the Rekeep Group include the following activities:

- Cleaning;
- Technical Services;
- Landscaping.

Cleaning activity includes cleaning and hygiene services, sanitation, disinfection, pest control and rat extermination, collection, transport and disposal of hospital waste and employs the highest number of Group employees.

The so-called Technical Services encompass the management, operation and maintenance services of property-related systems (including heating and air conditioning systems, electrical systems, fire prevention and safety systems), including therein:

- design and implementation of redevelopment and adjustment work into line with the safety legislation;
- design and installation of devices for energy saving and for the reduction of emissions of polluting agents into the atmosphere.

A third type of activities attributable to the Facility management service rendered by the Group is the so-called Landscaping, i.e. a service for the maintenance of green spaces, which includes both the planning and implementation of maintenance of properties' green areas, and services for the area.

Finally, energy management activities are developed, i.e. technical design, construction and operation of cogeneration plants and operation and maintenance of the same plants to provide customers with energy efficiency solutions.

The Group, through a series of acquisitions, has also expanded its range of services providing certain specialist Facility Management services alongside its ‘‘traditional’’ Facility management services, through business combinations or by reorganising specific business areas. In particular it operates in the sector of:

- mailing and document management services (Telepost S.p.A.);
- facility services in the field of applications, management and sourcing (Rekeep Digital S.r.l.);
- B2C operations in the Consumer market for household and personal services, while also taking advantage of the creation of a digital platform easily accessible to a broad range of potential customers (Yougenio S.r.l.).

Laundering/sterilization is an industrial activity given in support of public and private healthcare facilities. In Italy, the Rekeep Group operates in this sector in particular through Servizi Ospedalieri S.p.A. and its subsidiaries, which provide the following services:

- collection and distribution of linen in the individual departments;
- management of the linen rooms in the health care facilities;
- supply of disposable items;
- rental of linen with special materials for operating rooms;
- acceptance, treatment, sterilization and redelivery of surgical instruments;
- rental of surgical instruments;
- creation and management of sterilization systems.

Finally, the internationalisation process led to the start-up of facility operations in France (through the sub-group controlled by Rekeep France S.a.S.), Turkey (through EOS and Rekeep United Yönetim Hizmetleri A.Ş..) and in Saudi Arabia (through Rekeep Saudi Arabia Ltd and Rekeep Arabia for Operations and Maintenance Ltd). Finally, the acquisition of the Polish company Naprzód S.A., the parent company controlling the group with the same name, served to expand and strengthen the market position in the field of facility management in the healthcare sector.

2. ACCOUNTING STANDARDS AND BASIS OF PRESENTATION

The consolidated Financial Statements at 31 December 2019 comprise the Consolidated Statement of financial position, the Consolidated Statement of profit or loss, the Consolidated Statement of other comprehensive income, the Consolidated Statement of Cash flows, the Consolidated Statement of changes in Shareholders’ Equity and the related Explanatory Notes.

The balance sheet and income statement values reported in the Statements, the Statement of Cash Flow and the Explanatory Notes are compared with those at 31 December 2018. The consolidated Financial Statements at 31 December 2019 were prepared on a historical cost basis, except for the financial instruments that have been measured at fair value.

After assessing any possible uncertainties surrounding the Group's ability to continue as a going concern, including other market risks associated with the proceedings in progress described in notes 17 and 20 of the Explanatory Notes, the directors decided to prepare the Consolidated Financial Statements on a going-concern basis.

The Statement of Financial Position sets forth assets and liabilities distinguishing between current and non-current. The Statement of profit or loss classifies costs by nature, while the consolidated Statement of other comprehensive income sets forth the result for the period added with income and expenses that, in accordance with IFRS, are directly recognized in the Shareholders' Equity. The Statement of Cash flows has been prepared on the basis of the indirect method and presented in accordance with IAS 7, distinguishing between cash flow from operating, investing and financing activities.

The Financial Statements at 31 December 2019 have been presented in Euro, which is the Group's functional currency. All values showed in the statements and in the explanatory notes are in thousands of Euro, unless otherwise stated.

2.1 Statement of compliance with international accounting standards (IFRS)

The Consolidated Financial Statements at 31 December 2019 have been prepared in accordance with the International Financial Reporting Standards ("IFRS"). The Rekeep Group is subject to Letter f) of Article 2 under the Italian Legislative Decree no. 38 of 28 February 2005, which rules the exercise of the options provided for by the Article 5 of Regulation (EC) 1606/2002 about the International Financial Reporting Standards and, therefore, pursuant to Article 3, paragraph 2, and Article 4, paragraph 5, of the aforesaid Italian Legislative Decree, the Parent Company has applied the IFRS as adopted by the European Union in the preparation of its consolidated and separate Financial Statements as from the year ended 31 December 2005.

2.2 Changes in accounting standards and disclosures

The criteria adopted for the preparation of the consolidated Financial Statements are consistent with those used to prepare the consolidated Financial Statements of the previous year, with the exception of the standards and interpretations which are newly issued and applicable from 1 January 2019, in addition to the amendments to standards already in force.

The Group did not provide for the early adoption of any standard, interpretation or improvement issued but still not obligatorily in force.

New or revised IFRS and interpretations applicable as from 1 January 2019

In the 2019 financial year the following new accounting standards came into force:

- *IFRS16 – Leases*. The scope of application of the new standard includes all lease agreements. A lease is an agreement that grants the right to use an asset ("the underlying asset") for a certain period of time against the payment of a consideration. The method to account for all leases is based on the model provided for in IAS 17, while excluding any lease that involves goods of little value (e.g.: computers) and short-term contracts (e.g.: with a term of less than 12 months). A Therefore, a liability must be recognized as at the date on which the lease is entered into for the rentals to be paid and the asset in relation

to which the entity has a right to use, accounting for financial charges and the asset's amortization/depreciation separately. In fact, as regards the lessor, the accounting method is substantially unchanged with respect to the provisions laid down under the current IAS17. For the effects of the adoption of this standard, reference should be made to note 3 below.

- *IFRIC 23 – Uncertainty over Income Tax treatments.* The interpretation clarifies the accounting for uncertainties in income taxes in the application of recognition and measurement requirements in IAS 12 – "Income taxes". The interpretation specifically concerns: (i) whether an entity considers uncertain tax treatments separately, (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities, (iii) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates and (iv) how an entity considers changes in facts and circumstances. The interpretation does not add new disclosure requirements: however, it deals with the requirements laid down in IAS 1 relating to disclosures on judgments, information on the assumptions made and other estimates and information on contingent tax items under IAS 12 "Income taxes". An entity may elect to apply the interpretation either (i) retrospectively using IAS 8 "*Accounting Policies, Changes in Accounting Estimates and Errors*", if that is possible; or (2) retrospectively, with the cumulative effect of initially applying the Interpretation recognized at the date of initial application as an adjustment to equity and without any restatement of comparative information. An entity must determine whether it considers each uncertain tax treatment independently or together with other (one or more) uncertain tax treatments. The decision should be based on which approach provides better predictions of the resolution of the uncertainty. Group companies apply significant judgment in identifying uncertainties in the tax treatment of income taxes. The date of initial application is the beginning of the annual reporting period in which an entity applies this interpretation for the first time. Upon first-time adoption of the interpretation there was no significant impact from the application of the new standard on the Consolidated Financial Statements.
- *Amendments to IFRS9 - Prepayment Features with Negative Compensation*. The amendments to IAS 19 lay down the accounting rules in the event that an amendment, curtailment or settlement of the plan occurs during the reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the period, an entity is required to determine the cost of servicing for the remainder of the period after the plan amendment, curtailment or settlement, using the relevant actuarial assumptions to remeasure the net defined-benefit liability (asset) so that it reflects the plan benefits and plan assets after that event. An entity is also required to determine the net interest for the period remaining after the plan amendment, curtailment or settlement: the net defined-benefit liability (asset) that reflects the plan benefits and plan assets after that event; and the discount rate used to reset the net defined-benefit liability (asset). The adoption of the new standard did not entail any significant impact on the consolidated financial statements.
- *Amendments to IAS28 - Long-term interests in associates and joint ventures*. It clarifies how entities must use IFRS 9 to recognize long-term interests in associates or joint ventures, for which the equity method is not applied. The adoption of the new standard did not entail any significant impact on the consolidated financial statements.
- *Amendments to IAS19 – Plan Amendment, Curtailment or Settlement*. It specifies how the entities must determine pension expenses when changes to a certain pension plan occur. IAS 19 "Employee Benefits" specifies how an entity accounts for a defined-benefit plan. When a plan amendment, adjustment, curtailment or settlement occurs, IAS 19 requires entities to

remeasure the net defined-benefit asset or liability. The adoption of the new standard did not entail any significant impact on the consolidated financial statements.

Improvements to IFRS

The IASB also issued the "Annual Improvements to IFRS 2015-2017 Cycle", which make amendments to IFRS in response to issues mainly raised about: (I) IFRS 3 – "Business Combinations", clarifying that when an entity obtains control of a business that is a joint operation, it must remeasure previously held interests in that business; (II) IFRS 11 – "Joint Arrangements", clarifying that when an entity obtains control of a business that is a joint operation, it does not remeasure previously held interests min that business; (III) IAS 12 – "Income Taxes", clarifying that the impact relating to income taxes arising from dividends (i.e. distribution of profits) should be recognized through profit or loss, regardless of how the tax arises; (IV) and IAS 23 – "Borrowing Costs", clarifying that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally. No significant impact is expected from the application of these improvements on the Consolidated Financial Statements.

New or revised IFRS and interpretations applicable from subsequent years and not early adopted by the Group

In October 2018, the IASB issued amendments to *IAS 1 - Presentation of Financial Statements* and to *IAS 8 - Accounting Policies, Changes in Accounting Estimates*, clarifying the definition of "materiality", in order to support the application of the standard. The amendments will become applicable from the financial years ending after 1 January 2020, with early adoption permitted. No significant impact is expected from the application of these amendments on the Consolidated Financial Statements.

The new IFRS 17 - *Insurance Contracts*, applicable from 1 January 2021, was also issued. No significant impact is expected from the application of the new standard on the Consolidated Financial Statements, as the Group companies do not conduct any insurance business.

2.3 Discretionary assessments and significant accounting assumptions

The preparation of the consolidated Financial Statements requires directors to make discretionary assessments, estimates and assumptions that affect the amounts of revenues, costs, assets and liabilities, and the indication of contingent liabilities at the date of the financial statements. However, the uncertainty of these assumptions and estimates could lead to outcomes which may require a significant adjustment to the carrying amount of said assets and/or liabilities in the future.

Discretionary assessments

The main decisions taken by the directors, on the basis of discretionary assessments (excluding those relating to accounting estimates), in the application of the accounting standards of the Group, with a significant effect on the values recognized in the

accounts relate to the adoption of the continuity of values principle for the recognition of business combinations under common control. Application of this principle gives rise to the recognition in the statement of financial position of values equal to those that would be recorded if the companies involved in the business combination had always been combined. The net assets of the acquiree and of the acquiring entity are therefore recorded on the basis of the carrying amounts included in their respective accounts before the transaction.

Uncertainty of estimates

The key assumptions regarding the future and other significant sources of uncertainty relating to estimates as at the period ending date of the Consolidated Financial Statements are detailed below.

Impairment test

Goodwill is subject to impairment test at least annually, or more frequently if there is an indication of potential impairment in the carrying amounts. This requires an estimate of the value in use of the CGU (cash-generating unit) to which the goodwill is allocated, in turn based on an estimate of expected cash flows from the CGU and their discounting on the basis of a suitable discount rate. At 31 December 2019 the carrying amount of Goodwill was equal to € 387,778 thousand (€ 407,622 thousand compared to 31 December 2018). See note 9 for details.

Provisions for risks and charges and Allowance for doubtful accounts

Provisions representing the risk of negative outcomes of business issues have been set aside. The value of the provisions recognized in the accounts in relation to these risks is the best estimate made by the Directors at that date. Write-downs of trade receivables were recognized in an adjusting provision against failure to collect debts from clients. The value of the provisions recognized in the accounts in relation to these risks is the best estimate made by the Directors at that date. The estimates entail the adoption of assumptions depending on factors which could change in time and could therefore have a substantial impact on the Directors' current estimates used to prepare the Group's Consolidated Financial Statements.

Recognition of the present value of liabilities for Put Options on minority shares of subsidiaries and of the present value of liabilities for Earn-outs on acquisitions made

The Group held majority interests in subsidiaries in past years in relation to which the minority shareholders held PUT options, which can be exercised in the future at prices determined on the basis of certain parameters that require estimates from management for the purposes of reliable valuation. In this case, the correct recognition in the financial statements of the related liability requires management to make some estimates to determine the expected relevant parameters.

Recognition of revenues and costs from contracts with customers

The Group uses the percentage of completion method to account for activities on long-term contracts for the building and improvement of properties or technological plants for which it does construction work. The margins recognized in profit and loss depend both on the progress of the works and the margins on the entire work when completed; therefore if work in progress and margins on work not yet completed are to be recognized correctly, the Directors must make correct estimates of the costs of completion, possible increases in cost, delays, extra costs and penalties which could reduce the expected margin. The use of the percentage of completion method requires the Group to estimate the costs of completion, which entails the adoption of assumptions depending on factors which could change in time and could therefore have a substantial impact on current estimates. Should actual costs be different from estimated costs, this change will impact on the results for future periods.

Deferred tax assets and likelihood of these being reversed in the future

Deferred tax assets are recognized to the extent that there is a likelihood of there being sufficient future taxable profit for the losses to be utilised. This means that the management must make a strong commitment to working out a correct estimate of the amount of tax assets which can be recognized on the basis of the level of future taxable profit, the timing of the receipt of the profits and tax planning strategies.

Main assumptions applied to the actuarial valuation of the TFR (employee termination indemnity), such as the future turnover rate and discount financial rates

The cost of defined-benefit pension plans and of any other post-employment medical benefit, as well as the present value of the defined-benefit liability, are determined on the basis of actuarial assumptions. Actuarial assessments require various assumptions to be made which can differ from actual developments in the future. These assumptions also include the calculation of the discount rate, future pay rises, the mortality rate and future increases in pensions. Owing to the complexity of the assessment and its long-term nature, these estimates are extremely sensitive to changes in assumptions. All the assumptions are reviewed on an annual basis. See note 16 for details.

Consolidation principles

The Consolidated Financial Statements include the financial statements of Rekeep S.p.A. (“the ‘Parent Company’”, “Rekeep S.p.A.” or “Rekeep”) and its subsidiaries, prepared as at 31 December 2019. The financial statements of the subsidiaries have been prepared by adopting for each closing date the same accounting standards as those applied for the parent company.

All Intra-Group balances and intercompany transactions, including unrealized profits or losses arising from intra-Group transactions, which are recognized under assets, are eliminated in full.

Subsidiaries are consolidated on a line-by-line basis starting from the acquisition date, i.e. the date on which the Group acquires control, and are deconsolidated on the date in which control is transferred out of the Group. Acquisitions of subsidiaries, with the exception of those deriving from combinations of entities subject to joint control, are accounted for using the purchase method.

This involves the allocation of the cost of the business combination to the fair values of assets, liabilities and contingent liabilities acquired at the acquisition date and the inclusion of the result of the acquiree starting from the date of acquisition until the end of the fiscal year.

Joint-ventures with other shareholders and associates are accounted for under equity method.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Minority interests represent the portion of profits or losses and net assets not held by the Group and are disclosed under a separate item in the consolidated Statement of profit or loss for the period and in the Consolidated Statement of Financial Position under Equity items, separately from the Group's Equity.

Conversion of financial statements of foreign companies

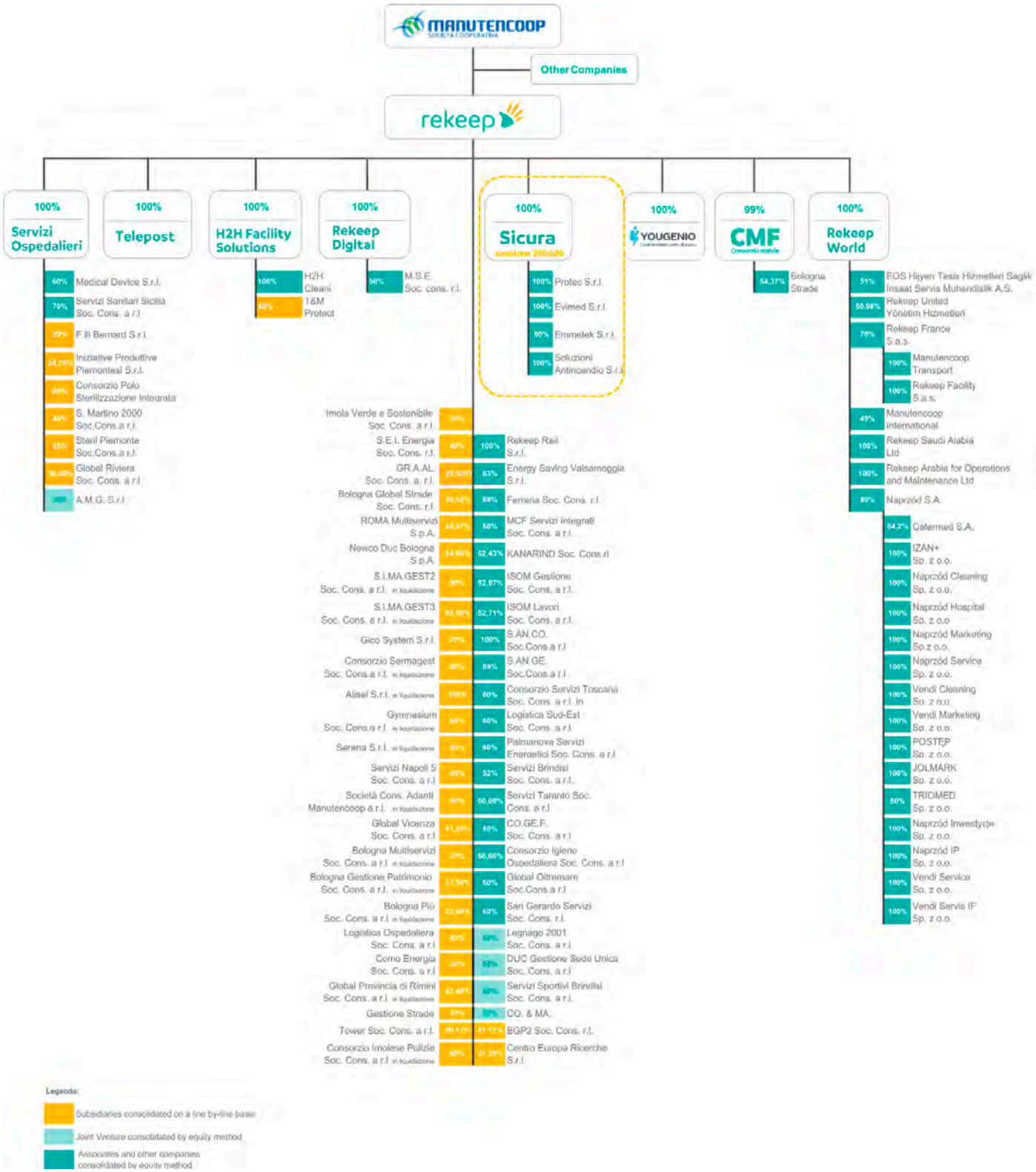
The financial statements are presented in Euro, the Group's functional currency. Statements of financial position and income statements stated in foreign currency are converted to Euro using the year-end exchange rates for the items of the Statement of Financial Position and average exchange rates for the period for items in the Income Statement. Differences arising from the conversion of opening shareholders' equity at year-end exchange rates are charged to the currency conversion reserve, together with the difference arising from the conversion of the result for the period at average exchange rate with respect to year-end exchange rates.

At the time of disposal of the economic entity from which translation differences emerged, the accumulated exchange differences reported in the statement of other Comprehensive Income are reclassified in the Consolidated Statement of Profit or Loss.

The table below shows the exchange rates used for the translation of financial statements expressed in currencies other than the Euro.

Currency		**Exchange rate at 31 December 2019**	**Average exchange rate for the year ended 31 December 2019**
PLN	Zloty - Poland	4.2568	4.2534
QAR	Qatar Riyal - Qatar	4.0892	4.1189
SAR	Saudi Arabian Riyal – Saudi Arabia	4.2128	4.1912
TRY	Turkish Lira - Turkey	6.6843	6.3987

Scope of consolidation at 31 December 2019 is shown below.


MANUTENCOOP
Other Companies
rekeep
100% Servizi Ospedalieri
60% Medical Device S.r.l.
70% Servizi Sanitari Sicilia Soc. Cons. a r.l.
20% F.lli Bernard S.r.l.
Iniziative Produttive Piemontesi S.r.l.
60% Consorzio Polo Sterilizzazione Integrata
40% S. Martino 2000 Soc.Cons.a r.l.
25% Steril Piemonte Soc.Cons.a r.l.
Global Riviera Soc. Cons. a r.l
A.M.G. S.r.l.
100% Telepost
100% H2H Facility Solutions
100% H2H Cleani
20% T&M Protect
100% Rekeep Digital
50% M.S.E. Soc. cons. r.l.
100% Sicura
consorzio 2016/20
100% Protec S.r.l.
100% Evimed S.r.l.
80% Emmetek S.r.l.
100% Soluzioni Antincendio S.r.l.
100% YOUGENIO
99% CMF
Consorzio stabile
54,37% Bologna Strade
100% Rekeep World
51% EOS Hijyen Tesis Hizmetleri Saglik Insaat Servis Muhendislik A.S.
50,98% Rekeep United Yönetim Hizmetleri
70% Rekeep France S.a.s.
100% Manutencoop Transport
100% Rekeep Facility S.a.s.
49% Manutencoop international
100% Rekeep Saudi Arabia Ltd
100% Rekeep Arabia for Operations and Maintenance Ltd
80% Naprzód S.A.
64,2% Catermed S.A.
100% IZAN+ Sp. z o.o.
100% Naprzód Cleaning Sp. z o.o.
100% Naprzód Hospital Sp. z o.o
100% Naprzód Marketing Sp.z o.o.
100% Naprzód Service Sp. z o.o.
100% Vendi Cleaning Sp. z o.o.
100% Vendi Marketing Sp. z o.o.
100% POSTĘP Sp. z o.o.
100% JOLMARK Sp. z o.o.
80% TRIOMED Sp. z o.o.
100% Naprzód Inwestycje Sp. z o.o.
100% Naprzód IP Sp. z o.o.
100% Vendi Service Sp. z o.o.
100% Vendi Servis IF Sp. z o.o.
Imola Verde e Sostenibile Soc. Cons. a r.l.
S.E.I. Energia Soc. Cons. r.l.
GR.A.AL. Soc. Cons. a. r.l.
Bologna Global Strade Soc. Cons. r.l.
ROMA Multiservizi S.p.A.
Newco Duc Bologna S.p.A.
S.I.MA.GEST2 Soc. Cons. a r.l. in liquidazione
S.I.MA.GEST3 Soc. Cons. a r.l. in liquidazione
Gico System S.r.l.
Consorzio Sermagest Soc. Cons.a r.l. in liquidazione
Alisei S.r.l. in liquidazione
Gymnasium Soc. Cons.a r.l. in liquidazione
Serena S.r.l. in liquidazione
Servizi Napoli 5 Soc. Cons. a r.l
Società Cons. Adanti Manutencoop a.r.l. in liquidazione
Global Vicenza Soc. Cons. a r.l
Bologna Multiservizi Soc. Cons. a r.l in liquidazione
Bologna Gestione Patrimonio Soc. Cons. a r.l. in liquidazione
Bologna Più Soc. Cons. a r.l in liquidazione
Logistica Ospedaliera Soc. Cons. a r.l
Como Energia Soc. Cons. a r.l
Global Provincia di Rimini Soc. Cons. a r.l in liquidazione
Gestione Strade
Tower Soc. Cons. a r.l.
Consorzio Imolese Pulizie Soc. Cons. a r.l in liquidazione
100% Rekeep Rail S.r.l.
51% Energy Saving Valsamoggia S.r.l.
59% Ferraria Soc. Cons. r.l.
50% MCF Servizi Integrati Soc. Cons. a r.l.
62,43% KANARIND Soc. Cons.rl
52,97% ISOM Gestione Soc. Cons. a r.l.
52,71% ISOM Lavori Soc. Cons. a r.l.
100% S.AN.CO. Soc.Cons.a r.l
89% S.AN.GE. Soc.Cons.a r.l
60% Consorzio Servizi Toscana Soc. Cons. a r.l. in
60% Logistica Sud-Est Soc. Cons. a r.l
60% Palmanova Servizi Energetici Soc. Cons. a r.l
52% Servizi Brindisi Soc. Cons. a r.l.
60,06% Servizi Taranto Soc. Cons. a r.l
80% CO.GE.F. Soc. Cons. a r.l
66,66% Consorzio Igiene Ospedaliera Soc. Cons. a r.l
60% Global Oltremare Soc.Cons.a r.l
60% Sari Gerardo Servizi Soc. Cons. r.l.
60% Legnago 2001 Soc. Cons. a r.l
60% DUC Gestione Sede Unica Soc. Cons. a r.l
60% Servizi Sportivi Brindisi Soc. Cons. a r.l.
CO. & MA.
BGP2 Soc. Cons. r.l.
Centro Europa Ricerche S.r.l.
Legenda:
Subsidiaries consolidated on a line by-line basis
Joint Venture consolidated by equity method
Associates and other companies consolidated by equity method

During the 2019 financial year note the following events:

- on 9 January 2019 Consorzio Stabile CMF was established, the consortium provision of which is 99% funded by Group companies (30% by Servizi Ospedalieri S.p.A., a further 30% by Sicura S.p.A., 20% by e-Digital Services S.r.l., 10% by Rekeep S.p.A. and 9% by Rekeep Rail S.r.l.);
- on 6 June 2019 H2H Facility Solutions S.p.A. transferred Palazzo della Fonte S.c.p.a. to UBI Banca S.p.A. for a consideration equal to its asset value (€ 8 million), which was collected in full as at the date of this transfer;
- the merger of Leonardo S.r.l by incorporation into its controlling company Sicura S.p.A. with legal effect from 1 July 2019 and with economic and fiscal effect backdated to 1 January 2019;
- on 3 July 2019 Sicura S.p.A. acquired 80% of the capital of Emmetek S.r.l. and its subsidiary Soluzioni Antincendio S.r.l., for a consideration of € 5.6 million. The investment agreement also provides for put and call options on the remaining 20% of the capital, which may not be exercised before the approval of the acquiree's financial statements at 31 December 2021;
- the incorporation of Rekeep Saudi Co. on 29 July 2019 and of Rekeep KSA Limited on 6 November 2019, both of which are based in Riyadh and are wholly owned by Rekeep World S.r.l.;
- on 30 October 2019 Rekeep World S.r.l. acquired 80% of the capital of Naprzód S.A., the Polish parent company of the group with the same name, composed by other 15 companies, which mainly operates in the field of facility management in the healthcare sector;
- on 12 December 2019 Rekeep S.p.A. transferred 61% of the capital of Elene Project S.r.l. to MFM Capital S.r.l..The Parent Company maintained a residual interest of 1% in this company.

Furthermore, note the following events:

- Manutencoop France S.a.r.l. was involved in a corporate restructuring, following which it changed its name to Rekeep France S.a.s. with effect from 23 July 2019;
- e-Digital Services S.r.l. changed its company name to Rekeep Digital S.r.l. with effect from 1 August 2019.

2.4 Summary of the main accounting policies

Property, plant and equipment

Property, plant and equipment are recognized at historical cost, net of ordinary maintenance costs, less the associated accumulated depreciation and accumulated impairment losses. This cost includes the costs for the replacement of part of the plant and equipment at the moment they are incurred if they conform to the recognition criteria.

Depreciation is calculated on a straight line basis in line with the estimated useful life of the asset, starting from the date the asset becomes available for use, until the date it is sold or disposed of. The carrying amount of property, plant and equipment is subject to impairment test when events or changes suggest that the carrying amount may not be recoverable. A tangible asset is derecognized from the financial statements at the moment of sale or when no future economic benefits are expected from its use

or disposal. Any profits or losses (calculated as the difference between net proceeds from the sale and the carrying amount) are recognized in the income statement in the year of the aforementioned derecognition. The residual value of the asset, useful life and method applied are reviewed annually and adjusted, if necessary, at the end of each financial year.

The useful life of the various classes of tangible assets is estimated as shown below:

	Useful life
Plant and equipment, maintenance and landscaping	11 years
Plant and equipment, maintenance and construction of properties	From 6.5 to 10 years
Telephone systems	4 years
Properties	33 years
Equipment for cleaning/landscaping activities	6.5 years
Equipment for technological system management	3 years
Equipment for building construction and maintenance	2.5 years
Other industrial and commercial equipment	10 years
Laundry equipment	8 years
Linen	From 2.5 to 4 years
Vehicles	From 4 to 5 years
Office furniture and equipment	From 5 to 8 years
Leasehold improvements (including under plant and equipment)	< between useful life and lease term

The plant and equipment category includes not only plant and equipment in the strictest sense, but also machinery, motor vehicles, office machines and furniture.

Financial costs arising from the purchase are charged to the income statement except in the case in which they are directly attributable to the acquisition, construction or production of an asset which justifies their capitalization (qualifying asset), in which case they are capitalised. A qualifying asset is an asset that requires a certain period of time to be ready for use.

The capitalization of financial costs ceases when all the activities needed to make the qualifying asset ready for use have been completed.

Extraordinary maintenance expenses are only included in the carrying amount of the asset when the company is likely to receive the associated economic benefits in the future and the cost can be reliably measured. The costs of repairs, maintenance or other operations to ensure the functioning of the assets are charged to the income statement in the year in which they are incurred.

Leasehold improvements are classified, on the basis of the nature of the cost incurred, under property, plant and equipment only when they meet the capitalization criteria set forth by IAS 16. The depreciation period corresponds to the lower of the residual useful life of the tangible asset and the residual lease term.

Business combinations

Business combinations are recognized according to the acquisition method. Under this method, the consideration transferred in a business combination is measured at fair value, calculated as the sum of the fair values of the assets transferred and liabilities assumed by the Company at the acquisition date and the equity instruments issued in exchange for control over the acquiree. Additional transaction costs are generally recognized through profit or loss when they are incurred.

At the acquisition date, the identifiable assets acquired and liabilities assumed are recognized at fair value applicable on the acquisition date, except for the following items that are instead measured in accordance with their relevant standard:

- Deferred tax assets and liabilities;
- Assets and liabilities for employee benefits;
- Liabilities or equity instruments relating to payments based on the acquiree's shares or share-based payments relating to the Company, issued to replace the acquiree's contracts;
- Assets held for sale and Discontinued Operations.

Goodwill is determined as the excess of the sum of the consideration transferred in the business combination, the value of the shareholders' equity attributable to non-controlling interests and the fair value of any previously-held equity interest in the acquiree compared to the acquisition-date fair value of the net assets acquired and liabilities assumed. If the acquisition-date value of the net assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the value of shareholders' equity attributable to non-controlling interests and the fair value of any previously-held equity interest in the acquiree, this excess is immediately recognized in the income statement as a profit arising from the transaction that has been completed.

Any consideration subject to the conditions set out in the business combination agreement is measured at acquisition-date fair value and included in the value of the consideration transferred in the business combination for the purpose of determining goodwill. Any subsequent fair value changes, which can be qualified as adjustments arising during the measurement period, are included in the goodwill on a retrospective basis. Fair value changes that can be described as adjustments arising in the measurement period are those that arise from more information about facts and circumstances that existed at the acquisition date, obtained during the measurement period (which may not exceed one year after the business combination).

In the event of business combinations that occurred in stages, the equity interest previously held by the Company in the acquiree is remeasured at fair value at the date control is acquired and any resulting gain or loss is recognized in the income statement. Any values arising from the previously-held equity interest recognized in Other Comprehensive Income or Losses are reclassified in the income statement as if the investment had been sold.

If the initial values of a business combination are incomplete on the reporting date when the business combination took place, the Company reports in its financial statements the provisional values of the items for which recognition cannot be completed. These provisional values are adjusted in the measurement period in order to take account of new information gathered on facts and circumstances existing at the acquisition date which, if known, would have affected the value of assets and liabilities recognized at that date.

Goodwill

Goodwill acquired in a business combination, is initially valued at cost, represented by the excess of the cost of the business combination with respect to the share pertaining to the Group in the net fair value relating to the identifiable values of assets, liabilities and contingent liabilities. After the initial recognition, goodwill is valued at cost less any accumulated impairment losses. Goodwill is subject to an analysis of fairness on an annual basis, or more frequently if events or changes are identified which may give rise to impairment losses.

For the purposes of this analysis of fairness, goodwill is allocated, from the date of acquisition, when the allocation is possible without arbitrariness, to each of the cash-generating units of the Group which believe that they will benefit from the synergies of the acquisition, irrespective of the allocation of other assets or liabilities to said units. Each unit to which goodwill is allocated:

- represents the lowest level, within the Group, at which goodwill is monitored for internal management purposes; and
- is not larger than the segments identified on the basis of either the primary of secondary presentation layout as regards disclosures on the Group's operating segments, based on IFRS 8 - Operating Segments.

Impairment is determined by defining the recoverable value of the cash-generating unit (or group of units) to which goodwill is allocated. When the recoverable value of the cash-generating unit (or group of units) is lower than the carrying amount, an impairment loss is recognized. The value of goodwill previously written down cannot be restored.

Other intangible assets

Intangible assets acquired separately are initially capitalised at cost, while those acquired through business combinations of companies not subject to joint control are capitalised at fair value on the date of acquisition. After initial recognition, intangible assets are recorded at cost net of amortization and accumulated impairment losses.

The useful life of the intangible assets is finite or indefinite. Intangible assets with a finite useful life are amortized over their useful life and subject to fairness tests whenever there is evidence of potential impairment losses. The amortization period and method applied thereto are reviewed at the end of each financial year or more frequently if necessary. Changes in the expected useful life or the methods with which the future economic benefits of the intangible asset are achieved by the Group are recorded by modifying the amortization period or method, as necessary, and treated as changes in the accounting estimates. The amortization charges of intangible assets with a finite useful life are recorded in the income statement under the cost category 'amortization, depreciation, write-downs and write-backs of assets'.

The Group did not record any intangible assets with an indefinite useful life, with the exception of goodwill.

The principles the Group applied for intangible assets are summarized below:

	Concessions, licenses, trademarks and similar rights	Other intangible assets
Breakdown of composition	Software and Trademarks	Contractual customer relations
Useful Life	Finite	Finite
Method used	Amortization on a straight line basis over the shortest time span between: > legal term of the right > expected period of use.	Amortization in proportion to consumption of related backlog.
Produced internally or purchased	Purchased	Acquired in business combination.
Impairment tests / tests on recoverable value	Yearly or more frequently when there is evidence of impairment.	Yearly or more frequently when there is evidence of impairment.

Profits or losses arising from the disposal of an intangible asset are measured as the difference between the net sales revenue and the carrying amount of the asset, and are recognized in the income statement at the moment of disposal.

Equity investments in joint ventures and associates

According to the equity method, the equity investment is recognized in the balance sheet at cost increased by changes, after the acquisition, in the Group's share of the investee's net assets. Goodwill relating to the associate is included in the carrying amount of the equity investment and not subject to amortization. Following application of the equity method, the Group determines whether it is necessary to recognize any additional impairment losses with reference to the Group's net equity investment in the investee. The income statement reflects the Group's share of the investee's result for the year. In the event in which the investee recognizes adjustments directly in shareholders' equity, the Group recognizes its share, and presents this, where applicable, in the statement of changes in shareholders' equity.

In the majority of cases, the end of the investees' financial year is the same as that of the Group. Where this does not occur, in most cases, the investees prepare accounting statements at the reporting date of the Group's financial year. The accounting standards used conform to those used by the Group.

Impairment of assets

At the reporting date of the financial statements, the Group assesses whether there is any evidence of impairment of assets. In this case, or in the event an annual impairment test is required, the Group prepares an estimate of the recoverable value. The recoverable value is the higher of the fair value of an asset or cash-generating unit, net of selling costs and its value in use and is determined for each individual asset, except when said asset does not generate cash flows that are largely independent from those generated by other assets or groups of assets. If the carrying amount of an asset is higher than its recoverable value, said asset has been impaired and is subsequently written down to its recoverable value. In calculating the value in use, the Group

discounts estimated future cash flows at the present value by using a pre-tax discount rate which reflects the market valuations on the time value of money and the specific risks of the asset. Impairment losses of operating assets are recognized in the income statement under 'amortization, depreciation, write-downs and write-backs of assets'.

At each reporting date, the Group also assesses whether there is any evidence that the impairment losses recorded previously no longer exist (or have fallen) and, if said evidence exists, estimates the recoverable value. The value of an asset previously written down can only be restored if there have been changes to the estimates used to calculate the recoverable value of the asset following the latest recognition of an impairment loss. In said case, the carrying amount of the asset is adjusted at the recoverable value, without, however, the increased value exceeding the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized in the preceding years. Any write-back is recognized as income in the income statement, in the same category in which the write-down was recorded, except where the asset is recognized in a revalued amount, in which case the write-back is treated as a revaluation. After a write-back has been recognized, the amortization charge of the asset is adjusted in future periods, in order to break down the modified carrying amount, net of any residual values, on a straight line basis over the residual useful life.

Financial assets

IFRS 9 makes provision for the following types of financial instruments:

- financial assets at amortized cost, i.e. trade receivables and debt instruments characterised by contractual cash flows at defined maturities, represented solely by the repayment of principal and the payment of interest, as well as by a business model that envisages holding them for the sole purpose of receiving such flows;
- financial assets at fair value through OCI (FVTOCI), which include equity instruments that are not held for sale, for which, upon initial recognition, an irrevocable option was exercised for the recognition of fair value changes in a specific equity reserve, as well as debt instruments characterised by contractual cash flows, represented solely by the repayment of principal and the payment of interest, as well as by a business model that is aimed at the sale of these instruments;
- financial assets at fair value through profit or loss (FVTPL), a category which includes the financial assets for which the conditions for recognition at amortized cost are not fulfilled, as well as equity instruments for which the irrevocable option of recognition at FVTOCI has not been exercised, and debt instruments characterised by contractual cash flows and by a business model that does not allow their recognition in the previous categories.

All financial assets are initially recognized at fair value, increased, in the event of assets other than those at fair value through profit or loss, by additional charges. Following the initial recognition, the Group determines the classification of its financial assets and, where appropriate and permitted, reviews said classification at the closing date of each financial year.

The accounting policies applied by the Group are the following:

Financial asset at amortized cost

Financial assets accounted for at amortized cost are measured using the effective discount rate method. Profits or losses are recognized through profit or loss when financial assets are derecognized from the accounts or when impairment losses occur, as well as through the amortization process.

Financial assets at fair value through OCI

Financial assets at fair value through OCI (FVTOCI) are measured at fair value and profits or losses must be recognized in a separate equity item.

For the year ended, however, as in the previous year, the Group only classifies investments of lower than 20% in this category of assets, which are valued at cost when it can be regarded as a representation of fair value. In particular, consortium companies and consortia, which are not listed on regulated markets and whose objective is to regulate relations as part of temporary business combines established for the operational purposes of management of some service contracts, are valued at cost, represented by the portion of subscribed share capital.

Inventories

Inventories are valued at the lower of cost and net presumed realisable value.

The costs incurred to deliver each asset to its current location and for warehousing are recognized as follows:

Raw materials (excluding fuel)	Purchase cost based on the weighted average cost method
Fuel inventories	Purchase cost based on the FIFO method

The net presumed realisable value of raw materials is represented by the replacement cost.

Trade receivables and other receivables

Trade receivables, which generally have contractual maturities of between 30-90 days, are recognized at their transaction price, consisting of the nominal value, stated in the invoice, net of the provisions for bad debts. This allocation is made in the presence of objective evidence that the Group will not be able to collect the receivable. Uncollectible receivables are written down when they are identified. Receivables and payables in a foreign currency other than the functional currency of the individual entities are adjusted at the year-end exchange rates.

Contractual activities on plant construction orders

A job order is a contract specifically stipulated for the construction of an asset on the instructions of a customer, who defines its design and technical features on a preliminary basis.

Job order revenues include the considerations initially agreed with the customer, in addition to the changes to the job order and price variations set out in the contract which can be determined reliably.

When the result of the job order can be determined reliably, the job orders are valued on the basis of the percentage of completion method. The progress status is determined by making reference to the costs of the job order incurred up to the balance sheet date as a percentage of total estimated costs for each job order. The percentage of completion determined in this manner is then applied to the contract price in order to determine the value of work in progress, classified under “Trade receivables". When the costs of the job order are likely to exceed total revenues, the expected loss is recognized immediately as a provision. Should the amount of the contract price already invoiced exceed the estimated value of work in progress, it must be recognized as a payable for the portion exceeding the value of the same and, as such, must be classified under "Contract liabilities".

Cash and cash equivalents

Cash and cash equivalents and short-term deposits in the balance sheet include cash at hand and sight and short-term deposits, in the latter case with an original maturity of no more than three months.

Loans

All loans are initially recognized at the fair value of the consideration received net of additional charges involved in raising the loan. After initial recognition, loans are valued according to the amortized cost criterion using the effective interest rate method. All profits or losses are recognized in the income statement when the liability is extinguished, as well as through the amortization process.

Derecognition of financial assets and liabilities

A financial asset (or, where applicable, part of a financial asset or parts of a group of similar financial assets) is derecognized from the accounts when:

- the contractual rights over cash flows arising from financial assets have expired;
- the Group has transferred the financial asset (transferring the right to receive cash flows from the asset or retaining the right to receive these but assuming the contractual obligation to pay them in full and without delay to a third party) and has transferred substantially all risks and rewards of ownership of the financial asset.
- If, as a result of the transfer, a financial asset is derecognized in full, but the result is that the Group obtains a new financial asset or assumes a new financial liability, the Group recognizes the new financial asset, financial liability or liability originating from service at fair value.

A financial liability is derecognized from the accounts when the obligation underlying the liability is discharged, cancelled or fulfilled. In cases where an existing financial liability is replaced by another of the same provider, under essentially different conditions, or the conditions of an existing liability are essentially modified, said exchange or modification is treated as derecognition of the original liability and the recognition of a new liability, and any differences in the carrying amounts are booked to the income statement.

Impairment of financial assets

At the reporting date, the Group assesses whether a financial asset or group of financial assets has incurred any impairment loss.

Assets valued according to the amortized cost criterion

If there is an objective evidence that a loan or receivable carried at amortized cost has suffered an impairment loss, the amount of the loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding future credit losses still not incurred) discounted at the original effective interest rate of the financial asset (i.e. effective interest rate calculated at the initial recognition date). The carrying amount of the asset will be reduced both directly and through the use of a provision. The amount of the loss will be recognized through profit or loss.

The Group firstly assesses whether there is any objective evidence of an impairment loss at individual level, for financial assets that are significant on an individual basis, and therefore at individual or collective level for financial assets that are not significant on an individual basis. In the absence of any objective evidence of impairment of a financial asset that is valued individually, whether it is significant or not, said asset is included in a group of financial assets with similar credit risk characteristics and said group is subject to impairment test in a collective fashion, by determining the forecast insolvency rate, i.e. the loss rate (Probability of default "PD") for the amount of expected losses (Loss Given Default "LGD") calculated taking account of elements of forward looking, thus also reporting and representing incurred losses. The assets valued at individual level and for which an impairment loss is recognized or continues to be recognized, will not be included in a collective valuation.

If, in a subsequent financial year, the size of the impairment loss falls and said reduction can be related objectively to an event which occurred after the recognition of the impairment loss, the previously reduced value can be written back. Any subsequent write-backs are recognized through profit or loss to the extent the carrying amount does not exceed the amortized cost at the write-back date.

Assets recognized at cost

If there is objective evidence of an impairment of an unlisted equity instrument which is not recognized at fair value if the requirements of IFRS 9 are met, or of a derivative instrument which is linked to said equity instrument and has to be settled through the delivery of said instrument, the amount of the impairment loss is measured by the difference between the carrying amount of the asset and the present value of expected future cash flows and discounted at the current market rate of return for a similar financial asset.

Financial assets at fair value through OCI

In the case of an impairment of a financial asset at fair value through OCI, a transfer from shareholders' equity is effected of a value equal to the difference between its cost (net of the repayment of capital and amortization) and its present fair value. Write-backs of instruments classified in this category are also recognized in a specific equity reserve.

Provisions for risks and charges

Accruals to provisions for risks and charges are made when the Group has to fulfil a current obligation (legal or implicit) resulting from a past event, resources are likely to be sacrificed to meet said obligation and its amount can be estimated reliably.

When the Group believes that an accrual to the provision for risks and charges will be partially or fully reimbursed, e.g. in the event of risks covered by insurance policies, the compensation is recognized separately under assets if and only if it is virtually certain. In said case, a cost is stated through profit or loss which is the cost of the associated related accrual, net of the amount recognized for the compensation.

If the effect of discounting the value of money is significant, accruals are discounted using a pre-tax discount rate which reflects, where appropriate, the specific risks of the liabilities. When discounting is carried out, the increase in the provision due to the passing of time is recognized as a financial cost.

Provision for employee termination benefits

Liabilities in the form of employee termination benefits are only recognized when the Group is demonstrably committed to: (a) terminate the employment of an employee or group of employees before the normal retirement date; or (b) provide termination benefits as a result of an offer made in order to encourage voluntary resignation for redundancy purposes. The Group is demonstrably committed to terminate employment only when it has a detailed formal plan for the dismissal (termination of employment) and is without realistic possibility of withdrawal from the plan.

Employee benefits

Italian legislation (art. 2120 of the Civil Code) requires that, on the date of termination of their employment with the company, each employee receives compensation known as ESI (Employee Severance Indemnity). Calculation of this indemnity is based on certain items that form the annual employee remuneration for each year of employment (re-valued as necessary) and on the length of service. According to statutory Italian legislation, said indemnity is reported in the financial statements according to a calculation method based on the indemnity accrued by each employee at the balance sheet date, in the assumption that all employees terminate their employment at said date.

The IFRIC issued by the IASB tackled the issue of Italian ESI and concluded that, in application of IAS 19, it falls within the scope of “defined benefit” plans, as regards post-employment benefits and, as such, must be calculated using the Projected Unit Credit Method (PUCM), in which the amount of liabilities in the form of acquired benefits must reflect the expected date of termination and must be discounted.

Following the 2007 reform of national legislation which governs, for Companies with more than 50 employees, ESI accruing from 1 January 2007, it is established as a “defined contribution” plan, whose payments are accounted for directly in the income statement, as a cost, when recognized. ESI accrued up until 31 December 2006 remains a defined benefit plan, without future contributions.

The Group accounts for actuarial gains or losses arising from the application of the aforementioned method (PUCM) in an appropriate equity reserve according to the provisions of IAS 19 pars. 120 and 128.

The actuarial valuation of the liability was entrusted to an independent actuary.

The Group has no other significant defined benefit pension plans.

Leases

According to IFRS16 a lease is an agreement that grants the right to use an asset ("the underlying asset") for a certain period of time against the payment of a consideration. At the inception of the contract the entity must assess whether the contract is, or contains, a lease. The contract is, or contains, a lease if it gives the entity the right to control the use of a specified asset for a period of time in exchange for consideration. An entity must reassess whether a contract is, or contains, a lease only if the terms and conditions of the contract are amended.

For a contract that is, or contains, a lease, the entity must account for each lease component as a lease separately from non-lease components. For contracts that contain a lease component and one or more lease and non-lease components, the lessor must allocate the consideration under the contract by applying IFRS15.

Finance lease contracts, which substantially transfer all risks and rewards of ownership of the leased asset, are capitalised at the date of the start of the lease at the fair value of the leased asset or, if lower, at the present value of rental fees. Rental fees are split between the portions of principal and interest so as to obtain the application of a constant interest rate on the residual debt balance. Financial costs are charged directly to the income statement. Capitalised leased assets are amortized over the estimated useful life of the asset and the lease term, whichever is the shorter, if there is no reasonable certainty that the ownership of the asset will be obtained at the end of the contract.

At the effective date, the lessee must measure the liability under an operating lease at the present value of lease payments outstanding at that date. Lease payments must be discounted back by using the interest rate implicit in the lease if it is determinable reliably. If it is not possible, the lessee must use its marginal borrowing rate. The underlying asset, which consists of the Right Of Use (ROU), must be recognized among assets must be recognized against an entry for this liability. After the effective date, the lessee must measure the asset consisting of the right of use by applying a cost model, unless the fair value model or the revaluation model is applied. Group companies do not apply such alternative models.

Following the adoption of IFRS16 the accounting treatment of operating leases is then in line with the provisions laid down in IAs17 previously in force: the liability for lease payments and the asset in relation to which the entity has a right to use must be reported at the date of recognition of the lease, accounting for financial charges and the asset's amortization/depreciation separately. In fact, as regards the lessor, the accounting method is substantially unchanged with respect to the provisions laid down under the current IAS17. Finally, the Group has adopted some exceptions allowed by the accounting standard, excluding any lease with a term of less than 12 months, as well as any lease and hire of low value (less than USD 5,000) from the related scope of application. Furthermore, the Group has exercised its right to not review whether a contract is, or contains, a lease on the date of first-time adoption (IFRS16.C3).

Revenue recognition

Revenues are recognized to the extent in which it is likely that economic benefits can be achieved by the Group and the associated amount can be determined reliably. The following specific revenue recognition criteria must be complied with before revenues are charged to the income statement:

Provisions of services

The main types of service provided by the Group, separately or jointly as part of Integrated Services, are:

- operation and maintenance of properties and plants, often associated with the provision of heat (energy service);
- cleaning and environmental hygiene services;
- landscaping;
- project management services;
- linen rental and industrial laundering and sterilization services.

Revenues are recognized on the basis of the progress of the services underway at the balance sheet date, measured as a percentage with reference to the different variables depending on the services provided and the contracts stipulated with the customer (square metres, hours, costs incurred, hospital days).

The provisions of services, which are still not completed at the reporting date, constitute contract work in progress and are classified under trade receivables.

Revenues billed at the balance sheet date, which exceed the amount accrued on the basis of the progress status of the service, are suspended under contract liabilities, and classified under trade payables. The considerations, also as part of multi-service contracts, are, as a rule, defined separately by service type and the amount of revenues to be attributed to the individual services is quantified at fair value.

When the outcome of a services transaction cannot be measured reliably, revenues are only recognized to the extent it is believed that the costs incurred can be recovered.

Plant construction activities

The Group recognizes the revenues arising from building contracts on the basis of the percentage of completion of the job order, measured as a percentage of the costs incurred with respect to the total estimated costs for completing the work. When the outcome of a job order cannot be measured reliably, revenues are only recognized to the extent it is believed that the costs incurred can be recovered.

Sales of assets

The revenue is recognized when the company has transferred all significant risks and rewards related to ownership of the asset to the purchaser.

Interest

Interest is recognized as financial income following the verification of interest income accrued (carried out using the effective interest rate method which is the rate that accurately discounts expected future cash flows based on the expected life of the financial instrument at the net carrying amount of the financial asset).

Dividends

Revenues are recognized when the right of shareholders to receive the payment arises.

Government grants

Government grants are recognized when it is reasonably certain they will be received and all inherent conditions are met. When grants are related to cost components, they are recognized as revenues, but are systematically split over the financial years so they are commensurate with the costs they intend to compensate. In the event the grant is related to an asset, the fair value is deducted from the carrying amount of the asset to which it is related and the release to the income statement occurs progressively over the expected useful life of the asset on a straight line basis, through the systematic reduction of the associated amortization charges.

Income taxes

Current taxes

Current tax assets and liabilities for the year are valued by applying estimate criteria to determine the amount accrued in the financial year which is expected to be recovered or paid to the tax authorities. The rates and tax legislation used to calculate the amount are those issued at the balance sheet date.

Deferred taxes

Deferred taxes are calculated on the temporary differences arising at the balance sheet date between the tax values taken as a reference for assets and liabilities and the values stated in the financial statements.

Deferred tax liabilities are recognized against all temporary taxable differences, except:

when deferred tax liabilities arise from the initial recognition of goodwill or of an asset or liability in a transaction which is not a business combination and which, at the time of the transaction, does not have any effect on the profit for the year calculated for financial statement purposes or the profit or loss calculated for tax purposes;

with reference to taxable temporary differences associated with equity investments in subsidiaries, associates and joint ventures, in the event in which the reversal of the temporary differences can be controlled and is not likely to occur in the foreseeable future.

Deferred tax assets are recognized against all deductible temporary differences and for tax assets and liabilities carried forward, to the extent it is possible that there will be adequate future tax profits that make the use of temporary deductible differences and tax assets and liabilities carried forward applicable, except in the case in which:

- deferred tax assets connected to deductible temporary differences arise from the initial recognition of an asset or liability in a transaction which is not a business combination and which, at the time of the transaction, does not have any effect on the profit for the year calculated for financial statement purposes or the profit or loss calculated for tax purposes;
- with reference to taxable temporary differences associated with equity investments in subsidiaries, associates and joint ventures, deferred tax assets are recognized only to the extent in which it is likely that the deductible temporary differences will be reversed in the immediate future and that sufficient tax profits will be generated against which the temporary differences can be used.

The value of deferred tax assets to be recognized in the financial statements is reviewed at each reporting date of the financial statements and reduced to the extent it is no longer likely that sufficient tax profits will be available in the future to permit all or part of said receivable to be used. Unrecognized deferred tax assets are reviewed annually at the reporting date of the financial statements and are recognized to the extent it has become likely that the tax profit is sufficient to allow said deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured on the basis of the tax rates that are expected to be applied in the year in which said assets are sold or said liabilities are extinguished, considering the rates in force and those already issued or substantially issued at the balance sheet date.

Income taxes relating to items recorded directly in equity are charged directly to equity and not to the income statement.

Deferred tax assets and liabilities are offset, if there is a legal right to offset the current tax assets with current tax liabilities and the deferred taxes refer to the same tax entity and the same tax authorities.

VAT

Revenues, costs and assets are recognized net of VAT, with the exception of the case in which said tax applied to the purchase of goods or services is non-deductible, in which case it is recognized as part of the purchase cost of the asset or part of the cost item recognized through profit or loss. Trade receivables and payables for which an invoice has already been issued or received are carried inclusive of tax.

The net amount of indirect taxes on sales and purchases that can be recovered from or paid to the tax authorities is included in the financial statements under other receivables or payables depending on whether the balance is receivable or payable.

Service concession arrangements

The Group is the holder of concession agreements in which certain companies manage activities in the public interest, provided that the grantor (i) controls/regulates, by determining the price, which public services must be offered by the concessionary companies through the infrastructures that the concessionary company obtains under management or constructs and (ii)

maintains, through ownership or by other means, the authorisation granted and any other interest in the infrastructures upon expiry of the concession agreement.

The concessionary company shall not carry infrastructure under tangible assets as it does not hold "control", as set forth in IFRIC 12. The asset to be recognized is the right to use the infrastructure for providing the service, to be classified as a financial asset in the presence of an unconditional right to receive future compensation regardless of actual use of the infrastructure and as an intangible asset in the presence of a right to exploit the infrastructure itself in financial terms, charging users based on use of the service received. Provision is also made for a "mixed" accounting model if the concessionary company is the holder of both a financial asset and an intangible right, where it is necessary to separate the component of remuneration as provided for under the agreement relating to the financial asset, determining the amount of the intangible asset as a secondary activity (with respect to the value of the construction services provided).

The concessionary company also recognizes revenues for the services it provides, in compliance with IFRS15, and, therefore, the consideration envisaged in the agreement must be allocated with reference to the fair value of the associated services provided (construction, improvements and management respectively). Pursuant to IAS 23, financial costs attributable to the agreement must be recognized as costs in the financial year in which they are incurred, unless the concession holder has recognized an intangible asset, for which said costs are capitalised during the phase of drafting of the agreement. Otherwise, if the concession holder has recognized a financial asset, IAS 39 requires financial income calculated on the basis of the effective interest method to be recognized in the income statement.

Earnings per share

Basic earnings per share are calculated by dividing the net profit for the year attributable to the Parent Company's ordinary shareholders by the weighted average number of outstanding ordinary shares during the year.

Diluted earnings per share are calculated by dividing the net profit attributable to the Parent Company's ordinary shareholders by the weighted average number of outstanding ordinary shares during the year.

The Parent Company presents voluntary disclosures on earnings per share, with reference solely to consolidated data.

Operating segments

An operating segment is made up of a clearly identifiable group of assets and operations which provides a collection of related products and services, subject to risks and rewards other than those of other Group business sectors. For operational purposes, the Group is structured into business areas that coincide with the "strategic business units" in which the Group operates.

No operating segments were combined for the purpose of determining the operating segments subject to disclosure obligations.

The Group's Management look at the results achieved by the individual Strategic Business Units separately, for the purpose of making decisions regarding the allocation of resources and performance monitoring. The segment performance is assessed on the basis of the EBIT. The Group's financial management (including loan costs and revenues) and income taxes are managed at Group level and are not allocated to operating segments.

Methods of calculation of costs allocated to segments

The Group includes direct and indirect production costs relating to the business sector in the costs attributed to the segments. Starting from the consolidated financial statements for the year ended 31 December 2007, it was deemed appropriate to also allocate to the segments commercial costs and other general overheads on the basis of the appropriate conventional allocation drivers. By contrast, any income and costs generated by financial management and current and deferred taxes remain unallocated to the segments, while income from equity investments valued at equity is attributed to the segments.

Methods of calculation of assets and liabilities allocated to segments

The assets and liabilities have been attributed to the various segments in accordance with the method used for income statement items.

Changes in accounting estimates and errors

Some elements in the financial statements cannot be measured accurately and are therefore the objects of estimates which depend on future uncertain circumstances governing the conduct of the entity's business. Over time these estimates will be revised to take account of the data and information that subsequently become available. The effect of a change in accounting estimates in the financial year in which it has occurred must be recognized prospectively and included in the income statement of that period and in future periods if the change also affects these. Prospective recognition of the effects of the changed estimate means that the change is applied to transactions that take place from the time that the estimate is changed. Accounting estimates are reviewed or changed if new information comes to hand or if there are new developments in operations and. for these reasons, these do not constitute corrections of errors.

Prior period errors are omissions from, and misstatements in, an entity's financial statements for one or more prior periods arising from a failure to use, or a misuse of, reliable information that was available when the financial statements for those periods were authorized for issue, and could reasonably have been expected to have been obtained and used in the preparation and presentation of these financial statements. Such errors include the effects of mathematical mistakes, mistakes in applying accounting standards, oversights or misinterpretation of facts and fraud. Financial statements do not comply with IFRSs if they contain either material errors or immaterial errors made intentionally to achieve a particular presentation of an entity's statement of financial position, financial performance or cash flows. Potential current period errors discovered in that period must be corrected before the financial statements are authorised for issue. Errors discovered in subsequent periods must be corrected in the comparative information presented in the financial statements for that subsequent period if they are material errors and the correction is deemed feasible, restating the opening balances of assets, liabilities and equity for that period.

Restatement is not applied and errors are recognized prospectively if the errors and omissions are considered immaterial. Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that the users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances.

3. EFFECTS OF CHANGES IN ACCOUNTING STANDARDS

Under Regulation (EU) No. 1986 of 31 October 2017 the European Union adopted IFRS 16 – Leases, as well as amended and renamed IFRS 1, IFRS 3, IFRS 4, IFRS 7, IFRS 9, IFRS 13, IFRS 15, in addition to the accounting standards IAS 1, IAS 2, IAS 7, IAS 12, IAS 16, IAS 21, IAS 23, IAS 32, IAS 37, IAS 38, IAS 39, IAS 40, IAS 41 and interpretations IFRIC 1, IFRIC 12, SIC 29 and SIC 32. The adoption of the accounting standard is effective for IAS-adopters from the financial periods commencing on or after 1 January 2019.

The first-time adoption of IFRS 16 – *Leases* made it necessary to carry out an in-depth analysis, which allowed the assessment of the potential impact of the adoption of the new standard on the financial position, results of operations, cash flows and disclosures reported in the Consolidated Financial Statements as from the 2019 financial year. Furthermore, a careful assessment was started in relation to the operational impact that this accounting transition would entail on the Group's administrative processes.

The main cases of operating leases identified by the analysis concern:

- property leases for the Group's offices throughout Italy held with parent company Manutencoop Società Cooperativa, which is the owner of these properties (including, in particular, the executive offices located in Zola Predosa (Province of Bologna), as well as the Mestre office (Province of Venice) and other minor offices);
- property leases for the Group's other operating offices held with third parties;
- long-term hire for the corporate fleets of the Group companies;
- other forms of hiring of equipment used in the performance of some work contracts.

According to the previously applicable accounting rules, the "operating" lease cost for the period was accounted for in the Statement of Profit/Loss for the period, as "Cost for use of third-party assets", according to the matching principle and based on its accrual for the time being. The impact on the business cash flows was then accounted for as "Cash flow from current operations" in the Statement of Cash Flows. Furthermore, the accounting standard IAS 17 provided for the financial method to be adopted for "finance" leases only, thus recognising the asset among balance sheet assets (and recognising accordingly any related amortization and depreciation) and the liability arising from future lease payments among balance sheet liabilities. Moreover, the related financial costs for the period were accounted for during the period of financial amortization of this liability.

The new accounting standard IFRS 16 has introduced significant changes concerning the method to account for operating leases, providing for the recognition of the liability arising from leases that were previously classified as operating leases in applying IAS 17. The lessee must measure the lease liability at the present value of the remaining payments due under the lease, as discounted using the lessee's marginal borrowing rate and recognize the Right-Of-Use asset (ROU).

The analysis conducted upon first-time adoption in the Consolidated Financial Statements highlighted, first of all, the need for the evaluation of an appropriate marginal discount rate, which was differentiated by type of hire (property leases, long-term hire and hiring of business equipment), as well as by average term and allocation of costs relating to these contracts (head office functions and/or each line of business).

Therefore, the following discounting and amortization methods have been adopted in the Consolidated Financial Statements at 31 December 2019:

	Property leases	Corporate fleet vehicles	Equipment
Useful life	Definite		
Amortization of Right of Use	Amortization on a straight-line basis over the shorter period of: > legal term of the right of use > expected period of use		
Financial amortization	In fixed instalments and decreasing capital quota		
Marginal discount rate	Between 4.90% and 5.00%	Between 3.00% and 5.00%	Between 3.00% and 4.00%

Finally, the Group companies have adopted some exceptions allowed by the accounting standards, excluding any lease with a term of less than 12 months, as well as any lease and hire of low value (less than USD 5,000) from the scope of application. Furthermore, the Group has exercised its right to not review whether a contract is, or contains, a lease on the date of first-time adoption (IFRS16.C3).

Effects of the change in the accounting standard on the Equity and on the consolidated Statement of Financial Position at 1 January 2019

The accounting method applied to transition is the “Modified retrospective approach”, which does not provide for the mandatory restatement of comparative information. The lessee must instead recognize the cumulative effect of the first-time adoption of the standard as an adjustment to the opening balance of profits carried forward as at 1 January 2019. The book value of ROU-assets has been calculated by the Group as if the standard had been applied from the effective date, as discounted by using the lessee’s marginal borrowing rate upon first-time adoption.

However, for the sake of greater clarity, some Explanatory Notes report the balance sheet data at 31 December 2019 and 31 December 2018, as well as the results of operations and cash flows for the 2018 financial year, together with the comparative data restated to take account of the changes in the accounting standard described.

The table below reports the reconciliation between the balance sheet data reported in the Consolidated Financial Statements at 31 December 2108 and the corresponding balances at 1 January 2019 which account for the abovementioned adjustments:

	31 December 2018	Effects of adoption of IFRS 16	1 January 2019
Assets			
Non-current assets			
Property, plant and equipments	67,991		67,991
Property, plant and equipments under lease	5,984	45,436	51,420
Goodwill	407,622		407,622
Other intangible assets	25,634		25,634
Investments accounted for under the equity method	19,207		19,207
Other investments	4,905		4,905
Non-current financial assets	5,662		5,662
Other non-current assets	2,897		2,897
Deferred tax assets	15,017	887	15,904
Total non-current assets	**554,919**	**46,323**	**601,242**
Current assets			
Inventories	7,421		7,421
Trade receivables and advances to suppliers	417,930		417,930
Current tax receivables	14,658		14,658
Other current assets	22,320		22,320
Current financial assets	5,532		5,532
Cash and cash equivalents	94,733		94,733
Total current assets	**562,594**	**0**	**562,594**
Assets held for sale	0		0
Total non-current assets held for sale	**0**	**0**	**0**
TOTAL ASSETS	**1,117,513**	**46,323**	**1,163,836**

	31 December 2018	Effects of adoption of IFRS 16	1 January 2019
Shareholders' equity			
Share capital	109,150		109,150
Reserves	5,029	(1,617)	3,412
Retained earnings	34,911	(657)	34,254
Profit/(loss) for the year attributable to equity holders of the Parent	15,734		15,734
Equity attributable to Equity Holders of the Parent	**164,824**	**(2,273)**	**162,551**
Capital and reserves attributable to non-controlling interests	559	(8)	551
Profit/(loss) for the year attributable to non- controlling interests	109		109
Equity attributable to non-controlling interests	**668**	**(8)**	**660**
TOTAL SHAREHOLDERS' EQUITY	**165,492**	**(2,281)**	**163,211**

	31 December 2018	Effects of adoption of IFRS 16	1 January 2019
Non-current liabilities			
Employee termination indemnity	14,730		14,730
Provisions for risks and charges, non-current	25,189		25,189
Long-term financial debt	361,687	41,602	403,289
Deferred tax liabilities	14,525	2	14,527
Other non-current liabilities	660		660
Total non-current liabilities	**416,791**	**41,604**	**458,395**
Current liabilities			
Provisions for risks and charges, current	6,948		6,948
Trade payables and contract liabilities	399,602		399,602
Current tax payables	954		954
Other current liabilities	90,360		90,360
Bank borrowings, including current portion of long-term debt, and other financial liabilities	37,366	7,000	44,366
Total current liabilities	**535,230**	**7,000**	**542,230**
Liabilities directly associated with assets held for sale	0		0
Liabilities directly associated with assets held for sale	**0**		**0**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**1,117,513**	**46,323**	**1,163,836**

Finally, for comparison purposes only, the table below reports a reconciliation between the income statement balances recognized in the Consolidated Financial Statements at 31 December 2018 and the corresponding balances at 31 December 2018, which would emerge upon the application of the new accounting standard on comparative data:

	31 December 2018	Effects of adoption of IFRS 16	31 December 2018 restated for the effects of IFRS 16
Revenue			
Revenue from contracts with customers	943,740		943,740
Other revenue	6,142		6,142
Total revenue	**949,882**		**949,882**
Operating costs			
Costs of raw materials and consumables	(140,144)		(140,144)
Change in inventories of finished and semi-finished products	43		43
Costs for services and use of third-party assets	(325,258)	9,717	(315,541)
Personnel costs	(392,548)		(392,548)
Other operating costs	(6,660)		(6,660)

	31 December 2018	Effects of adoption of IFRS 16	31 December 2018 restated for the effects of IFRS 16
Lower costs for internal work capitalised	4,140		4,140
Amortization, depreciation, write-downs and write- backs of assets	(31,122)	(7,958)	(39,080)
Accrual (reversal) to provisions for risks and charges	(2,584)		(2,584)
Total operating costs	**(894,133)**	**1,759**	**(892,374)**
Operating income	**55,749**	**1,759**	**57,508**
Financial income and expenses			
Share of net profit of associates	1,466		1,466
Dividend and net income/(loss) from sale of investments	(843)		(843)
Financial income	1,597		1,597
Financial expenses	(33,544)	(2,294)	(35,838)
Gains / (losses) on exchange rate	(156)		(156)
Profit/(loss) before taxes from continuing operations	**24,269**	**(535)**	**23,734**
Income taxes	(8,426)	149	(8,277)
Profit/(loss) from continuing operations	**15,843**	**(386)**	**15,457**
Profit (loss) from discontinued operations	0		0
Net profit (loss) for the year	**15,843**	**(386)**	**15,457**
Net profit (loss) attributable to non- controlling interests	(109)	1	(108)
Net profit (loss) for the year	**15,734**	**(385)**	**15,349**

4. BUSINESS COMBINATIONS

4.1. Acquisition of a majority stake in Naprzód SA

On 25 September 2019 Rekeep S.p.A. signed an investment agreement for the acquisition of 80% of the share capital of the Polish company Naprzód S.A., the parent company of the Polish group with the same name, which mainly operates in the healthcare sector where it provides facility management services (in particular cleaning and disinfection, including specialist hospital services for the maintenance of areas and medical tools, and assistance to the patient in the arrangement of beds, as well as in transport, operations and medical procedures), catering and medical transportation services, including outsourcing services, ambulance hire, security in mass events and the transport of disabled people.

With this transaction the international growth of the Rekeep Group makes a major leap forward by strengthening its objective of geographical diversification through local awards and partnerships with companies with management recognized in each country. The acquisition results in a significant creation of value between the two Groups through synergies, cross-selling and operational efficiency, thus enabling the Rekeep Group to immediately position itself as a leading company in Poland in the field of facility management in the healthcare sector. The transaction will also give the acquired group companies access to a vast know-how

on services it does not provide at present (maintenance, heat management, linen rental, industrial laundering and sterilization, etc.), with a further improvement in its market position in Poland.

The acquisition was completed on 30 October 2019 through subsidiary Rekeep World S.r.l..

Accounting effects of the acquisition

The acquisition transaction is described as a business combination: therefore the Group has applied the purchase method required by IFRS 3 in accounting for it.

The acquisition was completed on 30 October 2019 against a closing price of € 18,343 thousand, of which an amount of € 11,220 thousand was paid on the closing date.

The purchase contract also provides for a price adjustment mechanism based on the consolidated balance sheet of the acquiree at the closing date, while the portion of deferred price will be paid by the end of 2020 and will generate interest until the date of payment. Therefore, a net financial debt relating to the acquisition, equal to € 5,012 thousand, was recorded at 31 December 2019.

Finally, the contract provides for a call option for the purchaser and a put option for the assignor (which may be exercised between 30 October 2024 and 30 October 2025) for the transfer of an additional 20% of the quotas of Naprzód SA.

The strike price of these options will be calculated with reference to the 20% of the equity value updated at the exercise date, to an extent equal to the product between the LTM consolidated EBITDA of the quarter immediately prior to that exercise date and a multiple equal to 7.5x, as reduced by the consolidated net financial position and adjustments to Net Working Capital set out in the acquisition contract.

In applying IFRS, the present value of the exercise price of these options, where they can be determined reliably, should have been recorded as a financial liability as early as from the date of these consolidated financial statements.

At the date of the consolidated financial statements at 31 December 2019, however, the Parent Company's management did not have sufficient information to reliably determine the amount of the exercise price of the options, although considering it probable that these options would be exercised, and therefore did not recognize the related financial liability and the resulting goodwill.

To date, it is objectively unlikely to make a reliable estimate of the two amounts referred to above due to a series of uncertainties such as (i) the significant time span between the date of these Consolidated Financial Statements and the date on which the reference values will be set out; (ii) the number of variables relevant to the measurement under consideration and their poor predictability, with particular reference to the net financial position and net working capital resulting from the growth path that the acquired group is embarking on recently, both internally and externally; (iii) the need for the Rekeep Group's management to become familiar with the business drivers that are peculiar to the Polish market and to some facility services which at present are not yet included in its core business.

In order to provide full and exhaustive disclosures on the transaction under examination, it should be noted that the total financial liability that would have been reported in these financial statements had all the uncertainty factors mentioned above been absent, would have been equal to the present value of the difference between the updated measurement of 100% of the equity investment

(calculated on the basis of the 2024 data and the applicable multiplier) and the amount measured in the current financial year for its 80% (€ 16,190 thousand). This means that if the updated measurement of the equity investment were equal to the current one, the financial liability related to the options described above would amount to about € 4 million discounted to present value. If, on the other hand, in line with the expectations of the Group's management, the income and financial performance of the Naprzód Group would lead to an updated measurement of the higher equity investment, the liability to be recognized would have been higher for the same discounted amount.

The fair value of the acquiree's assets and liabilities was determined on a provisional basis, as was the goodwill arising from the transaction. The table below shows the values provisionally attributed to the assets and liabilities acquired:

	Recognized value	Book value
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipments	10,172	10,172
Property, plant and equipments under lease	3,636	3,636
Other intangible assets	100	100
Non-current financial assets	2	2
Other non-current assets	1	1
Deferred tax assets	560	560
TOTAL NON-CURRENT ASSETS	**14,470**	**14,470**
CURRENT ASSETS		
Inventories	572	572
Trade receivables and advances to suppliers	17,595	17,595
Current tax receivables	1,971	1,971
Other current receivables	902	902
Cash and cash equivalents	2,343	2,343
TOTAL CURRENT ASSETS	**23,383**	**23,383**
TOTAL ASSETS	**37,853**	**37,853**
LIABILITIES		
NON-CURRENT LIABILITIES		
Long-term financial debt	2,882	2,882
Deferred tax liabilities	1,069	1,069
TOTAL NON-CURRENT LIABILITES	**3,951**	**3,951**
CURRENT LIABILITES		
Short-term loans	10,567	10,567
Trade payables and contract liabilities	15,135	15,135

	Recognized value	Book value
Other current liabilities	9,945	9,945
TOTAL CURRENT LIABILITIES	**35,648**	**35,648**
TOTAL LIABILITIES	**39,599**	**39,599**
FAIR VALUE OF NET ASSETS	**(1,746)**	**(1,746)**
GOODWILL ARISING FROM THE BUSINESS COMBINATION	**17,936**	
Total business combination cost:		
Consideration paid to the transferor at the closing date	11,220	
Deferred consideration (at historical exchange rate)	4,970	
TOTAL COST OF THE BUSINESS COMBINATION	**16,190**	
Net cash of the acquisition:		
Cash and cash equivalents of the acquired company	2,343	
Consideration paid at the closing date	(11,220)	
Additional acquisition costs	(1,981)	
NET CASH OF THE ACQUISITION	**(10,858)**	

The fair value of the assets and liabilities acquired through the combination was negative and provisionally amounted to € 1,746 thousand, while the total cost of the acquisition of 80% was equal to € 16,190 thousand.

The goodwill resulting from the transaction amounted to € 17,936 thousand, while net cash used in the combination amounted to € 10,858 thousand in 2019.

The acquired Polish group contributed to the Group's revenues for € 19,184 thousand from the date of acquisition, with a net result of € 215 thousand for the period.

4.2. Business unit lease at H2H Cleaning S.r.l.

On 18 December 2018 H2H Cleaning S.r.l., which was established by H2H Facility Solutions S.p.A. in November 2018, signed with Eraclya Società Cooperativa a business unit lease agreement concerning the provision of environmental hygiene, concierge, porterage and other general services for private customers, mainly located in the Triveneto, Piedmont, Lombardy and Lazio regions. The business unit lease became effective from 1 January 2019 and will have a term of 4 years, subject to a call option which may be exercised from the 45th month from the effective date of the lease, at a price calculated as a multiple of the business unit value, net of lease rentals already paid.

Accounting effects of the acquisition

Specifically, the business unit, which expressly excludes public contracts, is made up of sales contracts in place with private customers as at the date of execution and employment contracts with 1,142 people, as well as of procurement contracts relating to the leased business unit. Furthermore, any and all related references were transferred together with the business unit, as were any and all qualification and execution requirements, including permits, licences, authorizations, concessions, including of an administrative nature, required for the operation and management of the business unit, held and used by Eraclya, provided that they are transferrable.

The consideration for the business unit lease is equal to € 100,000 per year, which will be deducted from the consideration to be paid for any possible subsequent transfer of ownership.

The table below shows the value of the business unit's assets and liabilities at the effective date of the lease agreement. The imbalance noted in the business unit's values consists of an amount that will be settled upon the expiry of the lease and therefore at the time of the closing inventory of the property of the transferred business unit.

	Recognized value	Book value
Assets		
Non-current assets		
Property, plant and equipment	65	65
Other intangible assets	1	1
Total non-current assets	**66**	**66**
Total assets	**66**	**66**
Liabilities		
Employee termination benefits	943	943
Total non-current liabilities	**943**	**943**
Current liabilities		
Other current payables	821	821
Total current liabilities	**821**	**821**
Total liabilities	**1,764**	**1,764**
Receivables for settlement from business unit lease	**1,698**	

4.3. Acquisition of a majority quota in Emmetek

On 3 July 2019 the Group acquired, through its subsidiary Sicura S.p.A., a stake of 80% in the quota capital of Emmetek S.r.l., a company specialising in the design, prefabrication and installation of pumping stations, water reserves for fire-fighting purposes, hydrant networks and extinguishing systems. The newly-acquired company holds, in turn, a total quota in Soluzioni Antincendio

S.r.l., which operates in routine and non-routine maintenance of extinguishing systems with various types of extinguisher and pump units. The transaction was completed by paying an overall consideration of € 5.6 million and upon the execution of a quotaholders' agreement, including put and call options on the remaining 20% of the capital, which may not be exercised before the approval of the acquiree's financial statements at 31 December 2021 and, in any case, not beyond 31 December 2022. The acquisition is part of the growth and development strategy of the Rekeep Group through the entry into specialist sectors contiguous to the core business.

Emmetek S.r.l., the operating office of which is located in Ferrara (as for its subsidiary Soluzioni Antincendio S.r.l.) recorded a consolidated turnover of € 3.7 million in 2018 and employs a total number of 20 employees.

Accounting effects of the acquisition

The acquisition transaction is described as a business combination: therefore the Group has applied IFRS 3 in accounting for it. The consideration for the acquisition of the investment amounted to € 5,587 thousand, of which, as at the closing date of the transaction, an amount of € 3,027 thousand was paid to the transferor and an amount of € 350 thousand was paid to the company upon the repayment of a pre-existing debt the latter claimed from the transferor.

Furthermore, since the agreements signed between the counterparties provide for the mutual release of a Put option and a Call option for the transfer of the remaining capital quotas, which may be exercised for a 2-year period from 30 June 2021. In applying IFRS9, the Put option granted to the minority quotaholder was measured at its fair value at maturity, as discounted back at a fair rate (€ 1,262 thousand), at the date of acquisition.

The table below shows the value at the acquisition date of the assets and liabilities of the acquired company, the difference between the acquisition value and the book value of the transaction and the net liquidity used in the acquisition:

	Recognized value	Book value
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipments	35	35
Property, plant and equipments under lease	24	0
Other non-current assets	2	2
Deferred tax assets	3	3
TOTAL NON-CURRENT ASSETS	**64**	**64**
CURRENT ASSETS		
Inventories	156	156
Trade receivables and advances to suppliers	878	878
Other current assets	157	157
Current financial assets	0	350

	Recognized value	Book value
Cash and cash equivalents	1,399	1,049
TOTAL CURRENT ASSETS	**2,589**	**2,589**
TOTAL ASSETS	**2,653**	**2,653**
LIABILITIES		
NON-CURRENT LIABILITIES		
Provisions for employee termination indemnity	(1)	(1)
Long-term financial debts	18	18
Deferred tax liabilities	10	10
TOTAL NON-CURRENT LIABILITIES	**27**	**27**
CURRENT LIABILITIES		
Short-term loans	8	3
Trade payables and contract liabilities	343	343
Current tax payables	125	125
Other current liabilities	93	93
TOTAL CURRENT LIABILITIES	**569**	**564**
TOTAL LIABILITIES	**596**	**596**
FAIR VALUE OF NET ASSETS	**2,056**	**2,056**
GOODWILL ARISING FROM THE BUSINESS COMBINATION	**4,793**	
Total cost of the business combination:		
Consideration paid to the transferor at the closing date	3,377	
Deferred consideration	2,210	
Fair value of the options on minority interests	1,262	
TOTAL COST OF THE BUSINESS COMBINATION	**6,849**	
Net cash used in the acquisition:		
Cash and cash equivalents of the acquired company	1,399	
Consideration paid to the transferor	(3,377)	
Additional costs for the acquisition	(45)	
NET CASH USED IN THE ACQUISITION	**(2,023)**	

The fair value of the assets and liabilities acquired through the combination was equal to € 2,056 thousand, while the total cost of the combination amounted to Euro 6,849 thousand. The net liquidity absorbed by the combination was equal to € 2,023 thousand.

The difference of € 4,793 thousand between purchase cost and book value of net assets arising from the business combination was allocated to Goodwill.

The sub-group composed by Emmetek S.r.l. and Soluzioni Antincendio S.r.l. contributed to the Group's revenues for € 1,638 thousand from the date of acquisition.

5. NON-CURRENT ASSETS HELD FOR SALE AND LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS HELD FOR SALE

Non-current assets held for sale amounted to € 70,500 thousand at 31 December 2019 against liabilities directly associated with them for € 26,581 thousand. They refer to assets and liabilities of the sub-group controlled by Sicura S.p.A., for which a sale plan had been started, which was concluded in early 2020.

Specifically, on 13 February 2020 the binding agreement was signed for the transfer by the Parent Company Rekeep S.p.A. of the total share capital of Sicura S.p.A. to Argos Wityu, a pan-European Private Equity fund. The transfer of the investment was completed on 28 February 2020 for a consideration equal to € 55,041 thousand.

Therefore, in compliance with IFRS5 the sub-group controlled by Sicura S.p.A. is qualified as an “Assets held for sale” and at the reporting date of the Consolidate Financial Statements at 31 December 2019, the following actions were taken in order to:

- reclassify current and non-current assets relating to it under “Non-current assets held for sale” of the consolidated statement of financial position;
- reclassify the related current and non-current liabilities under “Liabilities directly associated with Non-current assets held for sale” in the consolidated statement of financial position;
- recognize cash flows attributable to the sub-group under “Assets held for sale and discontinued operations” in the Consolidated Statement of Cash Flows;
- prepare the consolidation of the values attributable to the sub-group on a line-by-line basis and the elimination of intra-group transactions.

The items described above are reported below in detail.

Non-current assets held for sale

This item amounted to € 70,500 thousand at 31 December 2019 and is broken down as follows:

	31 December 2019
Property, plant and equipments	757
Property, plant and equipments under lease	22
Investment property	4,889
Goodwill	42,588
Other intangible assets	522
Equity investments	9
Non-current financial assets	140
Deferred tax assets	685
Trade receivables and advances to suppliers	17,116
Current tax receivables	392
Other current assets	395
Cash and cash equivalents	2,986
TOTAL NON-CURRENT ASSETS HELD FOR SALE	**70,500**

No write-downs were applied for adjustment at selling value since the fair value that arose on these assets upon the sale proved to be higher than their carrying amount in the Consolidated Financial Statements.

Liabilities directly associated with non-current assets held for sale

This item amounted to € 26,851 thousand and is broken down as follows:

	31 December 2019
Employee termination indemnity	3,271
Provisions for risks and charges, non-current	455
Non-current financial liabilities	6,728
Deferred tax liabilities	18
Other non-current liabilities	4
Trade payables and contract liabilities	9,919
Current tax payables	1,331
Other current liabilities	3,489
Current financial liabilities	1,635
TOTAL LIABILITIES DIRECTLY ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE	**26,851**

Financial flows generated from/used in assets held for sale and liabilities directly associated with them

Assets held for sale and related associated liabilities attributable to the sub-group controlled by Sicura S.p.A., as well as discontinued operations in previous years, gave rise to the following cash flows:

	31 December 2019
Collection of deferred consideration for the sale of from Energyproject S.r.l. (2013)	45
Cash and cash equivalents from discontinued Operations	(2,986)
CASH FLOW FROM DISPOSAL OF OPERATING ASSETS	**(2,941)**

6. PROPERTY, PLANT AND EQUIPMENT

The table below shows the changes in owned property, plant and equipment in the year ended 31 December 2019.

	Property	Plant and equipment	Total
At 1 January 2019, net of accumulated depreciation and impairment	**12,896**	**55,093**	**67,991**
Additions from business combinations	4,567	5,705	10,272
Additions from acquisitions	82	24,372	24,454
Impairment losses	0	(478)	(478)
Disposals	0	(63)	(63)
Depreciation for the year	(450)	(18,637)	(19,087)
Others	(6)	(2,979)	(2,987)
IFRS5 Reclassification	(57)	(700)	(757)
At 31 December 2019	**17,032**	**62,313**	**79,345**
At 1 January 2019			
Historical cost	15,886	377,458	393,343
Accumulated depreciation and impairment losses	(2,989)	(322,365)	(325,354)
NET BOOK VALUE	**12,896**	**55,093**	**67,991**
At 31 December 2019			
Historical cost	20,528	404,493	425,021
Accumulated depreciation and impairment losses	(3,439)	(341,480)	(344,919)

	Property	Plant and equipment	Total
IFRS5 Reclassification	(57)	(700)	(757)
NET BOOK VALUE	**17,032**	**62,313**	**79,345**

Additions from acquisitions for the year refer to the linen of the *Laundering&Sterilization* segment for € 15,315 thousand and to the purchases of other machinery and specific equipment for € 7,752 thousand, of which an amount of € 2,827 thousand relating to service concession agreements managed by subsidiary Energy Saving Valsamoggia S.r.l. and Elene Project S.r.l, which was then deconsolidated following the disposal which took place on 12 December 2019. During the year, increases were also recorded for business combinations, mainly attributable to the acquisition of the Naprzód Group, for which reference should be made to note 4.

Furthermore disposals were made in an amount of € 63 thousand, while the item of Others includes the reclassification of € 1,043 thousand from finance lease assets to owned assets following the redemption of some plant and machinery and the decrease of € 3,859 thousand in owned property, plant and equipment as a result of the abovementioned deconsolidation of Elene Project.

Finally, "Reclassification of assets held for sale" shows the balance of property, plant and equipment of the SIcura Group, reclassified among "non-current assets held for sale", for which reference should be made to note 5.

The table below shows the changes in property, plant and equipment owned in the year ended 31 December 2018.

	Property	Plant and equipment	Total
At 1 January 2018, net of accumulated depreciation and impairment	**13,428**	**52,136**	**65,564**
Additions from business combinations		1,636	1,636
Additions from acquisitions	54	23,917	23,971
Disposals	(248)	(209)	(457)
Depreciation for the year	(341)	(19,613)	(19,954)
Others	3	(2,774)	(2,771)
At 31 December 2018	**12,896**	**55,093**	**67,989**
At 1 January 2018			
Historical cost	16,076	354,888	370,964
Accumulated depreciation and impairment losses	(2,648)	(302,752)	(305,400)
NET BOOK VALUE	**13,428**	**52,136**	**65,564**
At 31 December 2018			

	Property	Plant and equipment	Total
Historical cost	15,885	377,458	393,343
Accumulated depreciation and impairment losses	(2,989)	(322,365)	(325,354)
NET BOOK VALUE	**12,896**	**55,093**	**67,991**

7. PROPERTY, PLANT AND EQUIPMENT UNDER LEASE

The table below shows the changes in property, plant and equipment under finance and operating lease in the year ended 31 December 2019.

	Property under finance lease	Plant and equipment under finance lease	Rights of use of property	Rights of use of plant and machinery	Total
At 1 January 2019, net of accumulated depreciation and impairment	**4,584**	**1,400**	**0**	**0**	**5,984**
Effects of changes in accounting standards, net of accumulated depreciation			37,070	8,366	45,436
Additions from business combinations		3,496		163	3,659
Additions from new contracts and rental adjustments		566	3,127	3,366	7,059
Impairment losses		(54)			(54)
Early termination			(264)	(251)	(515)
Depreciation for the year	(134)	(316)	(4,324)	(3,686)	(8,460)
Others		(1,054)		2	(1,052)
IFRS5 Reclassification		(22)	(4,053)	(836)	(4,911)
At 31 December 2019	**4,450**	**4,016**	**31,556**	**7,124**	**47,146**
At 1 January 2019					
Historical cost	4,992	5,163	52,803	24,996	87,955
Accumulated depreciation and impairment losses	(408)	(3,763)	(15,733)	(16,630)	(36,535)
NET BOOK VALUE	**4,584**	**1,400**	**37,070**	**8,366**	**51,420**
At 31 December 2019					
Historical cost	4,992	8,171	55,666	28,276	97,105

	Property under finance lease	Plant and equipment under finance lease	Rights of use of property	Rights of use of plant and machinery	Total
Accumulated depreciation and impairment losses	(542)	(4,133)	(20,057)	(20,316)	(45,048)
IFRS5 Reclassification		(22)	(4,053)	(836)	(4,911)
NET BOOK VALUE	**4,450**	**4,016**	**31,556**	**7,124**	**47,146**

Property, plant and equipment under finance lease reported changes during the year, which were due to depreciation for the period, as well as to the execution of new lease agreements for a total of € 566 thousand, of which an amount of € 305 thousand on the part of subsidiary Servizi Ospedalieri S.p.A., and to business combinations, which contributed for € 3,496 thousand, as detailed in note 4.

The item of "Others" includes the reclassification of € 1,043 thousand from assets under finance lease to owned assets following the redemption of some plant and machinery.

"Property under operating lease" and "Plant and equipment under operating lease" include the book value of right-of-use assets recognized according to the new IFRS16, applicable from 1 January 2019 (for more details, reference should be made to note 3 above).

Additions from acquisitions for the year mainly related to the execution of new property lease agreements and rental adjustments for € 3,127 thousand and to new long-term hire of vehicles that make up the corporate fleets and equipment for € 3,366 thousand. Furthermore, note cases of early termination of lease agreements for € 264 thousand and hire agreements for € 251 thousand.

Finally, "Reclassification of discontinued operations" shows the balance of property, plant and equipment under lease of the Sicura Group, reclassified among "non-current assets held for sale", as described in note 5 to which reference should be made.

The table below shows the changes in property, plant and equipment under finance lease in the year ended 31 December 2018.

	Property under lease	Plant and equipment under lease	Total
At 1 January 2018, net of accumulated depreciation and impairment	**4,408**	**1,371**	**5,779**
Additions from business combinations	291	168	459
Additions from acquisitions	2	67	69
Depreciation for the year	(117)	(191)	(308)
Others		(15)	(15)
At 31 December 2018	**4,584**	**1,400**	**5,984**

	Property under lease	Plant and equipment under lease	Total
At 1 January 2018			
Historical cost	4,699	4,943	9,641
Accumulated depreciation and impairment losses	(291)	(3,572)	(3,862)
NET BOOK VALUE	**4,408**	**1,371**	**5,779**
At 31 December 2018			
Historical cost	4,992	5,163	10,154
Accumulated depreciation and impairment losses	(408)	(3,763)	(4,170)
NET BOOK VALUE	**4,584**	**1,400**	**5,984**

8. OTHER INTANGIBLE ASSETS

The table below shows the changes in intangible assets in the year ended 31 December 2019.

	Other intangible assets	Goodwill	Total
At 1 January 2019, net of accumulated amortization and impairment	**25,634**	**407,622**	**433,256**
Additions from business combinations	101	22,745	22,846
Additions from acquisitions	9,017		9,017
Disposals	(74)		(74)
Amortization for the year	(7,854)		(7,854)
Others	521		521
IFRS5 Reclassification	(522)	(42,588)	(43,111)
At 31 December 2019	**26,823**	**387,778**	**414,601**
At 1 January 2019			
Historical cost	117,480	410,015	527,495
Accumulated amortization and impairment losses	(91,846)	(2,393)	(94,239)
NET BOOK VALUE	**25,634**	**407,622**	**433,256**
At 31 December 2019			
Historical cost	127,119	432,760	559,879
Accumulated amortization and impairment losses	(99,774)	(2,393)	(102,167)

	Other intangible assets	Goodwill	Total
IFRS5 Reclassification	(522)	(42,588)	(43,111)
NET BOOK VALUE	**26,823**	**387,778**	**414,601**

Goodwill is tested annually for impairment. The change for the period mainly related to the acquisition of Emmetek S.r.l. and its subsidiary Soluzioni Antincendio S.r.l. by Sicura S.p.A. (€ 4,793 thousand) and to the acquisition of the Naprzód Group by Rekeep World (€ 17,936 thousand), as well as for the reclassification of balances from the Sicura Group to assets held for sale, as detailed in note 5. For more details, reference should be made to note 9 below.

Other intangible assets, amounting to € 26,823 thousand at 31 December 2019, mainly consist of investments in software carried out as part of the projects aimed at upgrading and enhancing the corporate information systems. Additions from acquisitions for the year (€ 9,017 thousand) are mainly attributable to the Parent Company Rekeep S.p.A. (€ 5,294 thousand) and are related to the implementation and upgrading of software platforms used by the Group. Furthermore, acquisitions of the subsidiary Yougenio for € 1,127 thousand were recognized, which were aimed at developing and upgrading the e-commerce portal intended for the B2C market, as were for subsidiary Telepost S.p.A. for € 704 thousand aimed at the implementation of automated solutions intended to improve the business's operational efficiency.

Finally, other changes related to the restatement of the historical cost of some intangible assets of subsidiary Yougenio (€ 572 thousand) and to the reclassification of intangible assets pertaining to the Sicura Group, recognized under a single item "Non-current assets held for sale" (for which reference should be made to note 5).

The table below shows the changes in intangible assets in the year ended 31 December 2018:

	Other intangible assets	Goodwill	Total
At 1 January 2018, net of accumulated amortization and impairment	**25,169**	**370,363**	**395,532**
Additions from business combinations	57	37,259	37,316
Additions from acquisitions	7,987		7,987
Disposals	(40)		(40)
Amortization for the year	(7,539)		(7,539)
At 31 December 2018	**25,634**	**407,622**	**433,256**
At 1 January 2018			
Historical cost	109,436	372,756	482,192
Accumulated amortization and impairment losses	(84,267)	(2,393)	(86,660)
NET BOOK VALUE	**25,169**	**370,363**	**395,532**
At 31 December 2018			

	Other intangible assets	Goodwill	Total
Historical cost	117,480	410,015	527,495
Accumulated amortization and impairment losses	(91,846)	(2,393)	(94,239)
NET BOOK VALUE	**25,634**	**407,622**	**433,256**

9. IMPAIRMENT TEST OF GOODWILL

The Group's Management believe that the SBU structure identified in corporate reporting (regardless of the legal personality of legal entities) should be reflected, consistently with the provisions of the accounting standards, also at the level of the CGUs used for impairment tests. The SBUs identified and their composition, in corporate terms, are defined as follows.

SBU – Facility management

The SBU is identified with:

- Rekeep S.p.A.
- H2H Facility Solutions S.p.A.
- the Group controlled by Sicura S.p.A., operating in the facility management segment as a provider of specialist services in the fields of safety and fire prevention
- Telepost S.p.A., a specialist company for internal mailing services
- Rekeep Digital S.r.l. (formerly e-Digital Services S.r.l.), which is active in the sector of high technology services to businesses
- other minor investee companies operating in the same segment.

Facility Management SBU also includes Yougenio S.r.l. and Rekeep World S.r.l. and its foreign subsidiaries, dedicated to business development in international markets. However, it is deemed appropriate for the latter entities to consider separate CGUs and therefore to test separately the value of goodwill generated from acquisitions on the part of Rekeep World S.r.l..

SBU – Laundering & Sterilization

The SBU is identified with:

- Servizi Ospedalieri S.p.A., operating in the linen rental and industrial laundering segment for hospitals and the sterilization of linen and surgical instruments
- Medical Device S.r.l., acquired during 2018 financial year and specialized in the production of procedural kits containing all the devices needed to support the healthcare team in performing surgical procedures
- other minor investee companies active in the same segment in Italy.

The table below sets forth the carrying amounts of the goodwill recognized in the Consolidated Financial Statements at 31 December 2019, divided into different CGUs.

	31 December 2019	31 December 2018
Goodwill allocated to Facility Management CGU	373,969	393,813
of which International markets	*19,965*	*2,029*
Goodwill allocated to Laundering & Sterilization CGU	13,809	13,809
CONSOLIDATED GOODWILL	**387,778**	**407,622**

Changes that occurred in 2019 exclusively concerning the *Facility management* CGU. In particular, the goodwill increased in the period following the acquisition, by Sicura S.p.A. of Emmetek S.r.l. and its subsidiary Soluzioni Antincendio S.r.l. on 3 July 2019 (€ 4,793 thousand) and for the acquisition of Naprzód S.A (and the group it controls) on the part of Rekeep World S.r.l. on 30 October 2019 (€ 17,936 thousand) on the international market.

Furthermore, the portion of goodwill attributable to the Sicura Group (€ 42,588 thousand) was reclassified under “Non-current assets held for sale” at 31 December 2019, as detailed in note 5, to which reference should be made.

Facility management CGU Goodwill

The goodwill allocated to the Facility management CGU, which amounted to € 373,969 thousand at 31 December 2019, was recognized as a result of various business combinations from 2004 to date, the most important of which are listed below:

- Operation ‘Palladio’, which took place on 29 December 2003, involved the Group acquiring control of the business unit relating to facility management technical services previously managed by the parent company Manutencoop Società Cooperativa;
- Acquisition of MCB S.p.A., a company through which the Group established the first facility management unit for “network” customers (banks, insurance companies, etc.). In 2010, MCB S.p.A. was merged by incorporation into MP Facility S.p.A. (now H2H Facility Solutions S.p.A.);
- Acquisition of Teckal S.p.A., which was merged by incorporation into Manutencoop Facility Management S.p.A. in 2010, through which the Group strengthened the production structure of traditional facility management, in particular in the heat management service;
- Acquisition of Altair IFM S.p.A. (the most significant transaction to date), which enabled the Group to gear the customer portfolio towards large private customers. In 2010 the larger companies in the Altair sub-group were merged by incorporation into Manutencoop Facility Management S.p.A;
- Reverse merger of the Parent Company CMF S.p.A. by incorporation into the subsidiary Rekeep S.p.A. with statutory, accounting and tax effects starting from 1 July 2018. The operation, defined as an "Operation Under Common Control" since it was carried out between parties subject to common control, gave rise to the recognition of a merger deficit in the assets

up to the amount recorded in the Consolidated Financial Statements in which the companies involved in the merger participate, i.e. that of Manutencoop Società Cooperativa. The non-recognisable difference also gave rise to a negative equity reserve.

The *Facility management* SBU also includes the goodwill generated from two acquisitions carried out by Rekeep World S.r.l. in foreign markets, which is however regarded as arising from different CGUs:

- Acquisition of the majority stake of EOS Hijyen İşletmeciliği Tesis Hizmetleri Sağlık İnşaat Servis ve Mühendislik Anonim Şirketi ("EOS", of which the Group already held a stake of 50%) on 28 February 2018. The Company is active in the linen rental and industrial laundering services and surgical instrument sterilization to support healthcare activities in Turkey, with a portfolio of orders already underway;
- Acquisition of Naprzód S.A., controlling a group of other 15 companies operating in Poland in the provision of facility management services in the healthcare sector, catering and medical transportation services, including outsourcing services, ambulance hire, security in mass events and the transport of disabled people. The transaction allows the Group to diversify its offering in terms of geographical areas.

Finally, the Facility management CGU also included the goodwill stated among "Non-current assets held for sale" equal to € 42,588 thousand, generated by the following transactions:

- Acquisition of Gruppo Sicura S.r.l. (now Sicura S.p.A.), which paved the way for an expansion in the range of specialist facility management services in the fire prevention and accident prevention market;
- Acquisition of a fire fighting services business unit including its assets, equipment, trademarks and distinctive marks in addition to all the existing contractual relationships, from Triveneta Servizi S.r.l.. The transfer of the business unit came into effect on 1 August 2015. During 2017 a negative change on goodwill was recorded for € 93 thousand, as a result of the agreement reached to settle some disputes that had arisen in relation to this acquisition;
- Acquisition of Emmetek S.r.l. and its subsidiary Soluzioni Antincendio S.r.l. on 3 July 2019, which integrate the range of services offered by Gruppo Sicura through the design, prefabrication and installation of pumping stations, water reserves for fire-fighting purposes, hydrant networks and extinguishing systems and related maintenance.

Laundering & Sterilization CGU Goodwill

The goodwill allocated to the Laundering & Sterilization CGU emerged as a result of the following acquisition:

- Acquisition during the 2003 financial period of a business unit dealing with the linen rental and industrial laundering and sterilization activities for public and private healthcare of LIS S.p.A., with contracts mainly located in the Marche Region;
- Acquisition during the 2006 financial period of a business unit dealing with the linen rental and industrial laundering and sterilization activities for public healthcare of Lidi Service S.p.A., the activity of which was carried out in Porto Garibaldi (province of Ferrara) plant;
- Acquisition of Omasa S.p.A. in 2007, a company operating in the market for the sterilization of surgical instruments and linen, as well as following further minor acquisitions, all made by Servizi Ospedalieri S.p.A., a company operating in the linen rental

and industrial laundering and sterilisation market. Omasa S.p.A. was then merged by incorporation into Servizi Ospedalieri S.p.A. on 1 July 2009;

- On 3 July 2018, acquisition of Medical Device S.r.l., a trading company which has acquired over the years many certifications for the marketing of Class 3 medical devices, particularly critical for their intended use and requiring very complex certification procedures by Notified Bodies.

Impairment Test

Pursuant to IAS 36, goodwill is not amortized, but is tested for any possible impairment on an annual basis, or more frequently, should specific events or circumstances arise which provide evidence of an impairment loss. The impairment test, prepared by the Management and presented to the Board of Directors at the time of the approval of the draft financial statements, was carried out through the comparison between the net book value and the recoverable value of the individual CGUs to which goodwill was allocated, determined on the basis of the discounting-back of expected future cash flows relating to the period from 2020 to 2024 and extrapolated from the Business Plan of the Rekeep Group.

The Business Plan used for the analysis described in this note was approved by the Board of Directors of Rekeep S.p.A. on 24 March 2020.

For the 2019 financial year, steps were taken, following the acquisition of the Naprzód group on the part of Rekeep World in October (see, in this regard, note 4.1 above), to test separately the goodwill allocated to the *Facility Management* and *Laundering & Sterilization* CGUs, as well as that accounted for following this recent new acquisition.

The estimated value in use of the Facility management, *Laundering & Sterilization* and Naprzód CGU was based on the following assumptions:

- The expected future cash flows, for the period from 2020 to 2024, extrapolated from the Business Plan, are derived from projected cash flows obtained through:
  - determination of the value of the forecast gross margins according to the projection of the backlog of existing service contracts, augmented by the assumptions of renewals and new portfolio acquisitions;
  - estimates of changes in Net Working Capital on the basis of the target days of stock rotation, the payment of amounts due and collection of receivables;
  - assumptions of investments consistent with the performance of forecast revenues in the various business sectors in which the Group operates;
- A terminal value used to estimate future results beyond the time horizon expressly considered. The terminal value was determined by applying a NOPLAT equal to 2024 EBIT adjusted by the average expected depreciation and amortization and investments, net of a nominal tax rate. As regards long-term growth rates, an assumption of 1% was considered for all CGUs;

- The expected future cash flows were discounted back at a discount rate (WACC) of 7.51% for the Facility management CGU (2018: 8.16%), at a discount rate (WACC) of 6.88% (2018: 7.58%) for the Laundering&Sterilization CGU and at a discount rate (WACC) of 8.21% for Naprzód. The WACC was determined by using the Capital Asset Pricing Model ("CAPM"), by which the risk-free rate was calculated with reference to the curve of the rates of return of Italian long-term government bonds, while the non-diversifiable systematic risk ratio (βeta) and the debt/equity ratio were extrapolated from the analysis of a group of comparable companies operating in the European facility management and laundering sector. In addition, in order to reflect the uncertainty of the current economy and the future market conditions, the cost of the equity component of the WACC rate was increased with a risk premium of 200 basis points for Facility management and Naprzód CGUs e and 100 basis points for Laundering&Sterilization CGU in each period of time.

For all CGUs analysed, the analysis confirmed that the recoverable value of the same exceeds the associated carrying amount, therefore not requiring any write-downs. On a prudential basis "Worst Cases" were outlined with reference to the WACC, the growth rates applied and a deterioration in operating cash flows compared to forecasts, both with reference to the plan time frame and with reference to the terminal value. However, in simulating nil or negative growth rates, also in combination with WACCs exceeding those applied by two percentage points (and, then, equal to 9.51% for Facility management CGU, 8.88% for Laundering & Sterilization CGU and 10.21% for Naprzód CGU), there would be no need to make write-downs in all CGUs, as the recoverable value would exceed the related book value.

10. INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD

The Group holds some investments which are accounted under the equity method in the Consolidated Financial Statements. These companies include associates, joint-ventures and subsidiaries in liquidation, as listed in Annex I.

At 31 December 2019 the net-book value of investments valued at Equity reported a net amount of € 10,289 thousand, against a net amount of € 19,120 thousand in the previous year.

	Net Assets 31 December 2019	Net Assets 31 December 2018
Investments valued for under the Equity method	10,376	19,207
Provision for risks on investments	(87)	(87)
INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD	**10,289**	**19,120**

The breakdown of changes during the year is shown in Annex II attached to the Consolidated Financial Statements, to which reference should be made.

The main change for the period was the decrease related to the disposal of the interest held by subsidiary H2H Facility Solutions S.p.A. in Palazzo della Fonte S.c.p.a. at its balance sheet value (€ 8 million) on 6 June 2019.

During the year investments accounted for under the equity method recorded a negative result of € 92 thousand, for the share attributable to the Group, as a result of the recognition of income from equity investments of € 723 thousand and write-downs of € 815 thousand. Furthermore, positive effects were recognized directly in the Consolidated Equity to an overall amount of € 67 thousand.

Below are the main financial statements data relating to the major associates, as well as to the project financing companies owned by the Group. The data relate to the information contained in the most recent approved separate financial statements.

	% Ownership	Total Assets	Total Liabilities	Shareholders' Equity	Net financial position	Revenues	Profit (loss) for the year
Roma Multiservizi S.p.A.	45.47%	44,832	(36,375)	(8,457)	(7,924)	66,260	1,062
Project financing companies	<50%	66,483	(65,414)	(930)	(38,718)	13,297	254

Project financing companies are vehicles invested in by the Group companies in order to do work in the field of long-term project financing concessions.

11. OTHER NON-CURRENT ASSETS

The table below sets forth the breakdown of other non-current assets at 31 December 2019 and at 31 December 2018:

	31 December 2019	31 December 2018
Other investments	4,966	4,905
Non-current financial assets	4,819	5,662
Other non-current assets	97,941	2,897
IFRS5 Reclassification	(149)	0
OTHER NON-CURRENT ASSETS	**107,577**	**13,464**

The financial assets accounted for as *Other investments* relate to investments in companies in which the Group has no significant or controlling interests and that have been acquired for strategic/production purposes. There are also investments in National Cooperative Consortia, as well as investments in production sites, or in other minor activities such as industrial laundering services, performed by minor companies that may also act as sub-contractors.

Other investments are measured at purchase or establishment cost, since there is no active market in the securities concerned, which for the most part cannot be freely transferred to third parties due to limitations and restrictions preventing their free circulation.

Non-current financial assets, amounting to € 4,819 thousand at 31 December 2019 (€ 5,662 thousand at 31 December 2018), are composed of:

- € 1,651 thousand of non-current financial receivables due from associates, affiliates and joint ventures (€ 1,632 thousand at 31 December 2018). The face value of these receivables is € 1,691 thousand, while the discounting fund amounts to € 40 thousand. Some of these are non-interest bearing since they were drawn down proportionally from each consortium partner and are thus discounted on the basis of their expected residual maturity, applying Eurirs as the reference interest rate, plus a spread; € 3,067 thousand of non-current financial receivables from third parties, down compared to 31 December 2018 (€ 3,929 thousand). The change related for € 720 thousand to the settlement by subsidiary Telepost of the remaining credit amount restricted as security for the timely payment of a portion of employee termination benefits (TFR) liabilities transferred by Telecom Italia at the date of acquisition of the mailing business unit (2004); specifically, this credit amount fully related to workers subsequently reintegrated into the workforce at Telecom and therefore it was offset against the employee termination benefits (TFR) debt to be transferred to Telecom in consideration of the above-mentioned reintegration into the workforce;
- € 101 thousand of securities held to maturity, which remained unchanged compared to 31 December 2018.
- At 31 December 2019 the item also included the long-term portion, equal to € 2,357 thousand, of the deferred price relating to the sale of 95% of the quota capital of MFM Capital S.r.l. to 3i EOPF, which took place in December 2018.

Furthermore, there were security deposits related to long-term manufacturing contracts (€ 1,998 thousand) and long-term deferrals relating to some contracts (€ 1,087 thousand).

Finally, as at 31 December 2019, “Other non-current assets“ included the receivable of € 94,611 thousand that the Parent Company Rekeep S.p.A. had reported against an entry of the payable for the payment of the deposit relating to the fine imposed on it by the Competition Authority in relation to the Consip FM4 Tender (referred to in note 21 ”Contingent liabilities below). Even while pending the proceedings on the merits, the hearing of which is set for 6 May 2020, the Company took steps to recognize the liability arising from the notice of payment issued by the Revenue Agency – Collection among “Other current liabilities” in the Statement of Financial Position for the corresponding amount (€ 94,611 thousand). This liability will be paid off upon the payment of the 72 instalments set in the plan of instalment payment of the notice itself, according to the methods set out and until the Company’s appeal is possibly granted within the pending proceedings. Furthermore, the deposit was stated among non-current

balance sheet assets, since it constitutes a receivable against sums that are potentially subject to return following the settlement of the existing dispute (however, the time required for the judgment to become final cannot be estimated at present) and that cannot however be claimed automatically, even following the repayment of the entire debt.

12. INVENTORIES

The Group recognized inventories of € 7,910 thousand at 31 December 2019, marking an increase of € 489 thousand compared to the amount in the previous year. The change for the period was affected by the reclassification of inventories pertaining to Gruppo Sicura to "Non-current assets held for sale" for € 1,691 thousand.

	31 December 2019	31 December 2018
Inventories of raw materials, consumables and goods for resale	9,820	7,691
Provision for write-down of raw materials, finished products and goods for resale	(219)	(270)
IFRS5 Reclassification	(1,691)	0
INVENTORIES	**7,910**	**7,421**

The final inventory of raw materials is composed of materials and goods for resale present in the warehouses, while waiting to be used at work sites, valued at the average weighted purchase cost, goods for resale (mostly medical devices) stored in the warehouses of Medical Device and stocks of fuel in tanks belonging to integrated service customers.

13. TRADE RECEIVABLES, ADVANCES TO SUPPLIERS AND OTHER CURRENT RECEIVABLES

The following table includes the breakdown of Trade receivables and advances to suppliers and Other current operating receivables at 31 December 2019 and 31 December 2018:

	31 December 2019	of which from related parties	31 December 2018	of which from related parties
Contractual activities	27,284		25,215	
Trade receivables, gross	411,299		404,894	
Allowance for doubtful accounts	(31,617)		(33,283)	

	31 December 2019	of which from related parties	31 December 2018	of which from related parties
Trade receivables from third parties	**406,966**	**0**	**396,826**	**0**
Trade receivables from Manutencoop Società Cooperativa	65	65	88	88
Trade receivables from Rekeep Group companies	9,270	9,270	11,796	11,796
Trade receivables from Affiliates and Joint Ventures	4,293	4,293	4,142	4,142
Trade receivables from Group	**13,628**	**13,628**	**16,026**	**16,026**
Advances to suppliers	7,403	3	5,078	1
IFRS5 Reclassification	(15,425)	(9)	0	
TRADE RECEIVABLES AND ADVANCES TO SUPPLIERS	**412,572**	**13,622**	**417,930**	**16,027**
Other tax receivables due within 12 months	18,393		12,845	
Other current receivables from third parties	8,718		5,845	
Short-term receivables from social security institutions	1,261		1,187	
Short-term receivables from employees	195		146	
Other current assets from third parties	**28,567**	**0**	**20,023**	**0**
Current assets from Manutencoop Società Cooperativa	8	8	10	10
Current assets from associates	166	166	103	103
Current assets from associates	0	0	23	23
Other current assets from Group	**174**	**174**	**136**	**136**
Accrued income	228		0	
Prepaid expenses	2,480		2,161	
Accrued income and prepaid expenses	**2,708**	**0**	**2,161**	**0**
IFRS5 Reclassification	(395)		**0**	
OTHER CURRENT ASSETS	**31,054**	**174**	**22,320**	**136**

The balance of trade receivables and advances to suppliers, which also includes contract assets, amounted to € 412,572 thousand at 31 December 2019, showing a decrease of € 5,358 thousand compared to the amount at 31 December 2018 (€

417,930 thousand), which takes account of the reclassification of the balances pertaining to Gruppo Sicura to "Non-current assets held for sale", equal to € 15,425 thousand. Net of this reclassification, trade receivables would have reported an increase equal to € 10,067 thousand.

The change under examination was contributed to by an increase of € 10,140 thousand in trade receivables from third parties, accompanied by a decrease of € 1,666 thousand in the provision for bad debts, on the one hand, and on the other hand, by a decrease of € 2,398 thousand in receivables from other Group companies; finally, contract assets recorded an increase of € 2,069 thousand.

In the 2018 and 2019 financial years the Group signed contracts for the assignment without recourse of trade receivables.

On 27 December 2018 the Parent Company Rekeep S.p.A. and Servizi Ospedalieri S.p.A. signed a new 3-year maturity factoring agreement with Bancafarmafactoring S.p.A (which replaced the previous one signed in 2016) concerning the assignment on a revolving basis of receivables claimed by the same companies from entities in the National Health System and Public Administration, in an amount of up to € 200 million.

On 27 June 2018, the Parent Company also signed an uncommitted factoring agreement with Banca IFIS, intended for the assignment without recourse of trade receivables specifically accepted for the individual transactions carried out.

Finally, on 18 December 2018 the Parent Company obtained an additional credit line for assignments without recourse of up to Euro 20 million on a revolving basis with Unicredit Factoring S.p.A., which was also aimed at the disinvestment of credit positions specifically negotiated with the factor.

Finally, the Parent Company also signed an uncommitted factoring agreement with Carrefour Italia Finance S.r.l. for the assignment without recourse of trade receivables claimed from the Carrefour Group companies on 22 march 2019 and an additional uncommitted agreements with MB Facta S.p.A. for the assignment without recourse of trade receivables claimed from the Telecom Group on 4 December 2019.

The assignements made during the year are summarized below:

	Assignments made at 31 December 2019	**Balance of trade receivables assigned without recourse and not yet collected by the Factor**
Banca Farmafactoring S.p.A.	163,619	50,866
Banca IFIS S.p.A.	26,149	11,122
Unicredit Factoring S.p.A	18,441	7,391
Carrefour Italia Finance S.r.l.	3,045	1,058
MB FACTA S.p.A.	4,967	4,705
TOTAL ASSIGNMENTS WITHOUT RECOURSE	**216,222**	**75,143**

In all assignments, the assigned trade receivables were subjected to derecognition according to IFRS 9 in consideration of the characteristics of the transactions and entailed interest discount costs totalling € 3,693 thousand.

Finally, trade receivables from the Group amounted to € 13,628 thousand (€ 16,026 thousand at 31 December 2018), in addition to advances for € 3 thousand (€ 1 thousand at 31 December 2018). For more details, reference should be made to Annex III – Related Party transactions.

A specific provision for bad debts was recognized in connection with non-performing loans, which are difficult to fully recover, amounting to € 31,617 thousand at 31 December 2019 (€ 32,519 thousand at 31 December 2018). Below are the changes for the year o:

	31 December 2018	Business combinations	Increases	Uses	Releases	Other changes	IFRS5 Reclassification	31 December 2019
Provision for bad debts	**33,283**	8	2,825	3,059	(960)	(481)	(1,153)	**30,464**

An analysis of trade receivables at 31 December 2019 and as at the end of the previous year is provided below, broken down by maturity. The balances shown are net of the provision for bad debts and before the IFRS5 reclassification.

	Total	Trade receivables reaching maturity	Overdue trade receivables				
			< 30 days	30 - 60 days	60 - 90 days	90 - 120 days	beyond 120 days
31 December 2019	379,683	283,184	23,850	11,193	6,431	4,720	50,305
31 December 2018	371,611	257,171	33,996	12,945	9,559	5,078	52,862

Other current assets, equal to € 31,054 thousand (€ 22,320 thousand at 31 December 2018), showed a total increase of € 8,406 thousand in the year.

Below are the details of the most significant entries in this item:

- tax receivables, mostly relating to the VAT payments made by the Group companies (€ 15,830 thousand against € 11,358 thousand at 31 December 2018), which continue to show a credit balance given the widespread application of the regulations governing “Split-payment” and “Reverse charge” to the cycle of purchasing and sales invoicing. During 2019 assignments without recourse of VAT receivables of some Group companies were made for a total nominal amount of € 31,280 thousand and an interest discount of € 231 thousand;

- receivables for credit balances of current accounts held at Unicredit, managed in the name and on behalf of INPDAP (Social Security Institute for employees in public administration), as envisaged in a property management contract entered into with the aforementioned authority for € 2,173 thousand. At present some restrictions have been placed on said accounts as a result of the dispute that has arisen with INPDAP. Therefore, for the purposes of an accurate presentation, it was deemed appropriate to classify said item under *Other current receivables*;
- R&D tax credits totalling € 618 thousand. During the year the Parent Company Rekeep S.p.A and subsidiary Telepost S.p.A. started R&D projects in order to improve their business and delivery of services. The projects were developed and coordinated by internal resources based on their specific skills and duties, with the involvement of specific consultants for the various areas of business and were all completed in 2019. The income relating to tax credits were accounted for in the Consolidated Statement of Profit/Loss as operating grants, as a decrease in the related costs incurred, for a total of € 48 thousand, while capital grants of € 266 thousand were recognized, as a direct reduction in the historical cost of the assets, against R&D costs stated among intangible assets.

14. CASH AND CASH EQUIVALENTS, RECEIVABLES AND OTHER CURRENT FINANCIAL ASSETS

A breakdown of the balance as at 31 December 2019 and 31 December 2018 is shown below:

	31 December 2019	31 December 2018
Bank and postal deposits	78,671	88,298
Cash in hand	201	49
Current financial accounts - consortia	21,257	6,386
IFRS5 Reclassification	(2,986)	0
CASH AND CASH EQUIVALENTS	**97,143**	**94,733**
Current financial receivables from third parties	4,637	5,170
Current financial receivables from Group Companies	181	181
Transferrable securities	0	179
Other receivables for dividends	1	2
RECEIVABLES AND OTHER CURRENT FINANCIAL ASSETS	**4,819**	**5,532**

Bank deposits accrue interest at the respective short-term interest rates.

Amounts deposited at Consorzio Cooperativo Finanziario per Lo Sviluppo (C.C.F.S.), Consorzio Integra and Consorzio Nazionale Servizi (C.N.S.) also have the nature of available current accounts on demand and accrue interest.

The amount of cash and cash equivalents pertaining to Gruppo Sicura at 31 December 2019 was reclassified to "Non-current assets held for sale", as illustrated in note 5 above.

At 31 December 2019 *Current financial assets* amounted to € 4,819 thousand (€ 5,532 thousand at 31 December 2018). At the end of the year under examination the following items were mainly recognized:

- the remaining short-term share, equal to Euro 1,408 thousand, of the deferred price referring to the sale of 95% of the quota capital of MFM Capital S.r.l. to 3i European Operational Projects SCSp, which took place in December 2018. The decrease for the period (€ 1,242 thousand) was due to the partial collection of this receivable on 27 June 2019, following the release of a stand-by-equity guarantee paid in favour of Arena Sanità S.p.A. (€ 242 thousand) and on 30 December, following the fulfillment of some contract terms and conditions linked to the achievement of certain performance levels of each project company being transferred (€ 1,000 thousand);
- the balance of pledged current accounts dedicated to the operation of the service for managing receipts within the scope of assignments of trade receivables without recourse, equal to € 821 thousand (€ 1,576 thousand at 31 December 2018);
- an overall amount of € 181 thousand of receivables from short-term loans and financial accounts held with non-consolidated Group companies;
- the fair value of the investment made by the Turkish subsidiary Rekeep United Yönetim Hizmetleri A.Ş., which expired at the beginning of 2019 (€ 179 thousand), was also recognized at 31 December 2018.

15. SHARE CAPITAL AND RESERVES

	31 December 2019	31 December 2018
Share Capital – Ordinary shares	109,150	109,150

Ordinary shares have a nominal value of Euro 1 each. Ordinary shares issued and fully paid up at 31 December 2019 amounted to 109,149,600.

The Parent Company does not hold own shares.

Reserves and retained Earnings

The table below shows changes in Equity reserves in the year:

The item *Other reserves* includes, among the others, the balance of the following items:

- The reserve originating from the recognition of joint operations, which includes the differences between the purchase cost and the net carrying amount of the assets acquired under business combinations between jointly-controlled entities, for a

negative amount of € 244,186 thousand, for the recognition of the effects of the merger of CMF S.p.A. by incorporation into Rekeep S.p.A. in 2018;

- The Parent Company's extraordinary reserve equal to € 38,226 thousand;
- The Parent Company's transition reserve originated following the adoption of the new IFRS 16 – Leases, accounted for according to the "Modified retrospective approach", providing for the retrospective application to the agreements previously classified as "operating leases", recognising the cumulative effects of this transition upon first-time adoption as an adjustment to the balance of equity reserves at 1 January 2019 (negative for € 1,617 thousand).

	Share premium reserve	Legal reserve	Reserves for effects on SE of equity-accounted companies	Translation reserve	SORIE reserve	Other reserves	Total reserves
1 January 2018	**145,018**	**19,704**	**3,154**	**0**	**(5,233)**	**(17,789)**	**144,854**
Allocation of profits of previous years		420			74	7,989	8,483
Increase in Equity Reserves						49,700	49,700
Combinations "Under Common Control"						(198,261)	(198,261)
Economic effects accounted on equity			315	(309)	247		253
31 December 2018	**145,018**	**20,124**	**3,469**	**(309)**	**(4,912)**	**(158,361)**	**5,029**
Effects of the change in accounting standards						(1,617)	(1,617)
1 January 2019	**145,018**	**20,124**	**3,469**	**(309)**	**(4,912)**	**(159,978)**	**3,412**
Allocation of profits of previous years		799		309	(117)	15,173	16,163
Distribution of reserves		907				(13,907)	(13,000)
Economic effects accounted on equity			67	16	(949)		(866)
31 December 2019	**145,018**	**21,830**	**3,536**	**16**	**(5,977)**	**(158,713)**	**5,710**

The table below shows changes in *Retained earnings*:

	Accumulated profits (losses) of the Parent Company	Consolidation reserve	Total retained earnings
1 January 2018	**3,809**	**39,946**	**43,755**
Allocation of profits of previous years		(8,844)	(8,844)
31 December 2018	**3,809**	**31,102**	**34,911**
Effects of the change in accounting standards		(657)	(657)
1 January 2019	**3,809**	**30,445**	**34,254**
Allocation of profits of previous years		(429)	(429)
31 December 2019	**3,809**	**30,015**	**33,825**

This item includes the transition reserve of the companies controlled by Rekeep, which was generated following the adoption of the new IFRS 16 – *Leases*, accounted for according to the abovementioned "Modified retrospective approach" that entailed a negative adjustment to the balance of equity reserves of each company at 1 January 2019, for a total of € 657 thousand.

Below is the breakdown of Shareholders' Equity attributable to minority shareholders. For a detailed list of the companies in which minority interests are held, reference should be made to the paragraph Consolidation Principles.

	31 December 2019	31 December 2018
Equity attributable to minority interests	**836**	**668**
of which attributable to:		
Subsidiaries of Rekeep World S.r.l.	19	267
Other subsidiaries and consortia	817	401

	31 December 2019	31 December 2018
Profit (loss) attributable to minority interests	**65**	**109**
of which attributable to:		
Subsidiaries of Rekeep World S.r.l.	(70)	8
Other subsidiaries and consortia	136	101

The equity and profit (loss) attributable to minority interests relate to the minorities present in some subsidiaries, the most significant of which are described below.

Rekeep World S.r.l., the Group's sub-holding company dedicated to the development of the international market, holds a stake of 70% in the share capital of Rekeep France S.a.s. (formerly Manutencoop France S.a.r.l.). However, there is no recognition of equity attributable to minority interests since there is a put option in favour of the minority shareholders which is recognized as a financial liability in the Consolidated Financial Statements. During 2018 EOS, a Turkish company in which Rekeep World S.r.l. acquired a majority stake against a stake of 49% held by local partners, and Rekeep United, a Turkish company also jointly established with local partners holding 49.02% of the share capital, were consolidated for the first time. The valuation of the stake pertaining to minority shareholders was accounted for as an increase during the period in the Shareholders' Equity of non-controlling interests.

Finally, Shareholders' equity of third parties includes the minority interests of Medical Device S.r.l., which is 60% owned by Servizi Ospedalieri S.p.A. (the remaining 40% is held by a partner outside the Group).

16. EMPLOYEE TERMINATION INDEMNITY (TFR)

Below are the changes in the liabilities relating to Employee Termination Indemnity (TFR) in 2019, compared with changes in the same period of the previous year.

	For the year ended	
	31 December 2019	**31 December 2018**
AT 1 JANUARY	**14,730**	**15,519**
Additions for business combinations	963	264
Current service cost	819	825
Interest costs on benefit obligations	266	248
Benefits paid	(2,119)	(1,876)
Net actuarial (gains)/ losses from benefit obligations	1,053	(247)
Other changes	0	(3)
IFRS5 Reclassification	(3,271)	0
AT 31 DECEMBER	**12,443**	**14,730**

Below is reported the breakdown of the net cost of employee benefits relating to the termination indemnity:

	For the year ended	
	31 December 2019	**31 December 2018**
Current service cost	819	825
Interest costs on benefit obligations	266	248
Net cost of the benefits recognized through profit or loss	**1,086**	**1,073**
Net actuarial (gains)/ losses recognized in equity	1,053	(247)
TOTAL NET BENEFIT COSTS	**2,139**	**826**

The main financial and demographic assumptions used in the actuarial valuation of the obligation relating to TFR are illustrated below:

	31 December 2019	**31 December 2018**
Discount rate	0.37%-0.77%	1.80%
Inflation rate	1.00%	1.50%
Estimated turnover	From 3.5% to 15.00%	From 1.5% to 11.50%

The discount rates used to assess the TFR obligation are defined on the basis of curves of rates of return of high-quality fixed-interest securities, the amounts and maturity dates of which correspond to the amounts and maturity dates of the payments of expected future benefits. In 2019 two different discount rates were used by the Group depending on the remaining average period of time during which personnel remains in the each company, equal to 0.37% and 0.77% (1.80% in 2018).

The estimated turnover rate is presented in a range as the actuary appointed by the Group Companies for the actuarial estimate of the liability used different turnover rates for the individual companies.

The effects on the TFR obligation from the increasing or decreasing measurement of the financial rates in relation to reasonably possible changes in interests rates and in the assumptions of average duration of the working population, while maintaining all the other variables unchanged, are illustrated below:

	Financial year ended 31 December 2019	
	Assumptions	**Employee Termination Indemnity**
Discount rate	+ 0.25 bps	12,332
	- 0.25 bps	12,792
Inflation rate	+ 0.25 bps	12,687
	- 0.25 bps	12,432

	Financial year ended 31 December 2019	
	Assumptions	Employee Termination Indemnity
Actuarial assumptions	+ 2.00 ppt	12,408
	- 2.00 ppt	12,723

Below are reported the data relating to the average number of the Group's employees and of the workers provided to the Group by Manutencoop Società Cooperativa:

	For the year ended	
	31 December 2019	31 December 2018
Executives	58	53
White collars	1,319	1,203
Blue collars	16,821	15,197
AVERAGE STAFF	**18,198**	**16,452**

The average number of leased employees provided to the Group by Manutencoop Società Cooperativa was equal to no. 387 units at 31 December 2019 (31 December 2018: no. 418 units).

17. PROVISIONS FOR RISKS AND CHARGES

The breakdown and changes in the provisions for risks and charges for the year ended 31 December 2019:

	Risks on investments	Risks on job orders	Pending legal disputes	Tax litigation	Agents' indemnity leave	Termination employee benefits	Other provisions	Total
At 1 January 2019	**87**	**4,630**	**23,525**	**1,160**	**244**	**394**	**2,098**	**32,137**
Accruals		1,808	3,118	(0)	0	0	374	**5,300**
Uses		(655)	(1,918)	(531)	0	(36)	(998)	**(4,139)**
Reversals		(745)	(128)	(90)	0	0	(67)	**(1,030)**
Others		(0)	0	0	18	0	0	**18**

	Risks on investments	Risks on job orders	Pending legal disputes	Tax litigation	Agents' indemnity leave	Termination employee benefits	Other provisions	Total
IFRS5 Reclassification							(455)	**(455)**
At 31 December 2019	**87**	**5,038**	**24,597**	**538**	**262**	**358**	**952**	**31,831**
At 31 December 2019:								
Current	*87*	*4,973*	*271*	*447*	*0*	*358*	*255*	***6,392***
Non-current	*0*	*64*	*24,326*	*91*	*262*	*0*	*696*	***25,439***
At 31 December 2018:								
Current	*87*	*4,529*	*91*	*914*	*0*	*394*	*933*	***6,948***
Non-current	*0*	*101*	*23,434*	*246*	*244*	*0*	*1,165*	***25,189***

Provision for risks on investments

The item, amounting to € 87 thousand at 31 December 2019 (unchanged compared to 31 December 2018), includes the provision for unrecoverable future losses of Group companies and related to the subsidiary Alisei S.r.l. in liquidation.

Provision for risks on job orders

This provision includes, at consolidated level:

- estimated risks relating to potential disputes with customers, on the report of works;
- estimated penalties charged by customers;
- estimated costs to complete job orders, in respect of which no additional revenues will be paid.

The balance at the end of the period amounted to € 5,038 thousand, up by € 407 thousand against accruals of € 1,808 thousand and uses and releases totalling € 1,401 thousand.

Provisions for pending legal disputes

At the reporting date of the financial statements, the risk was assessed for the Group to be required to pay future compensation in the event of losing cases in legal actions pending with customers, suppliers, employees and others. During the year ended 31 December 2019 the provision, totalling € 24,597 thousand, recorded increases for accruals to provisions of € 3,118 thousand and decreases for uses and releases totalling € 2,046 thousand.

Provisions were mainly recognized to hedge the risks involving the Parent Company Rekeep S.p.A. for € 1,903 thousand. Uses and releases for the period, of which an amount of € 1,728 thousand attributable to the Parent Company, relate to the use of provisions set aside in previous years against the settlement of disputes with suppliers and of actions with other persons or entities.

On 20 January 2016 AGCM considered that it had found a breach of competition rules on the part of some companies which had taken part in a European Union tender for cleaning services in school buildings called by CONSIP in 2012 and levied a fine initially equal to € 48,510 thousand against the parent company Rekeep S.p.A. (formerly: Manutencoop Facility Management S.p.A.). On 14 October 2016, the Lazio Regional Administrative Court ruled by partially granting the appeal filed by Rekeep S.p.A. and referring the papers to the Authority for a new calculation of the fine. Rekeep S.p.A. challenged the trial judgment before the Council of State and, subsequently, before the Supreme Court, which declared the appeal finally inadmissible on 18 January 2019. Furthermore, on 23 December 2016 the Authority executed the Lazio Regional Administrative Court's ruling and adopted a new order, recalculating the fine at € 14,700 thousand. This order was also challenged before the Lazio Regional Administrative Court and the Company is waiting for the hearing to be set.

The Company is regularly paying this fine, for which the payment was obtained in 30 monthly instalments at the legal interest rate. The debt was fully paid off during 2019.

As a result of the Competition Authority's fine ruling, on 4 February 2016 Consip S.p.A. initiated a procedure to terminate the Agreements entered into within the tender in question, also informing the Company that it would consider the possibility of excluding it from future tenders for "work of the same type", including pursuant to article 38, paragraph 1, letter f) of Legislative Decree 163/06. On 23 November 2016 Consip S.p.A. also gave Rekeep S.p.A. notice of the final termination of the agreements, expressly stating that it would confiscate the part of the final guarantee deposit (performance bond) which remained after the deposit had been partially released considering the work done normally up to the termination date. It also notified the intention to report the facts to the Italian Anti-Corruption Authority (*Autorità Nazionale Anti-Corruzione*, ANAC) and to the Public Prosecutor's Office.

On the other hand, on 24 April 2017, Italian Law Decree no. 50 was published on the O.G.: Article 64 (Services in school) of this law decree envisaged, for the regions in which the Consip framework agreements "*for cleaning and other services provided in order to keep school buildings and Public Administration training establishments clean and in working order*" (c.d. "Consip Scuole") have been terminated, the continuation of the acquisition of cleaning services and other auxiliary services until 31 August 2017. In the subsequent Decree Law no. 91 of 20 June 2017, converted with amendments into Law on 3 August 2017 and published on the O.G on 12 August 2017, these services were further extended until 31 December 2017; finally, Article 1, paragraph 687, of Law no. 205 of 27 December 2017 ("2018 Budget Law") provided for these agreements to continue until 30 June 2019, in order to allow the regular performance of educational activities for the 2018-2019 school year.

The Government, under the 2019 Budget Law (Article 1, paragraph 760, of Law no. 145/2018), ordered the re-insourcing of cleaning services in schools, which will be actually carried out for almost all schools from 1 March 2020, through the Ministry of Education, Universities and Research starting a selection procedure aimed at recruiting the staff currently in charge of delivering this service who meet the necessary requirements. On 2 December 2016 Consip S.p.A. formally notified the Italian Anti-Corruption Authority (*Autorità Nazionale Anti-Corruzione*, ANAC) of its accusations against Rekeep S.p.A., as notified in the notice of termination of the Agreements, together with the intention to make a report to the Public Prosecutor's Office. On 7 January 2017 the Company served a writ of summons on the entity, asking the Ordinary Court of Rome to establish the

unlawfulness of the notice of termination of the agreements and order Consip S.p.A. to compensate for any damage suffered by the Company. The next hearing for specifying conclusions has been scheduled on 27 October 2020.

The next hearing has been set for 16 October 2018. The tender performance bond (initially equal to € 24.5 million) might also be partially enforced if the Company loses the case against Consip S.p.A.. ANAC has proceeded with the entry of the contract termination, as well as of the challenge against the same on the part of Rekeep S.p.A. before the Civil Court of Rome and of the filing of an appeal with the Supreme Court against the Council of State's judgment no. 928/2017 in its computerised records. As regards the latter appeal, the Supreme Court declared inadmissible on 18 January 2019. The Company then filed an appeal with the European Court of the Human Rights to seek compensation for damages arising from the events described above, which was rejected on 14 November 2019.

On 16 June 2017, Consip officially informed Rekeep S.p.A. of its own decision concerning the exclusion of the Company from the tenders for new agreements relating to cleaning services of barracks ("Consip Caserme") and to cleaning services with health service providers ("Consip Sanità"), with the intention also to confiscate, in this last case, the surety given by the Company during the tender for the amount of approximately € 10.4 million (known as "bid bond"). However, on 13 July 2017 and on 14 September 2017 respectively, the Lazio Regional Administrative Court ordered the suspension of the measures of exclusion, deferring the decision on the merits of the appeal to the hearing scheduled for 25 October 2017, which was rescheduled for 21 February 2018. In this venue the Company had its appeal rejected and, on 10 March 2018, an appeal with the Council of State was served, while submitting a request for precautionary measure from a single-member court and for suspension of the enforcement of the challenged order.

Furthermore, on 30 March 2018 Consip informed Rekeep S.p.A. that it had submitted a request to the competent insurance company to enforce the Company's warranty provided in relation to the Consip Caserme tender. However, the insurance company did not grant the request following the Council of State's decision handed down on 5 April 2018, whereby both the execution of the Lazio Regional Administrative Court's decision on the exclusion of Consip Caserme and Consip Sanità tenders and the related effects (also in relation to the enforcement of sureties) have been suspended and the hearing on the merits of the Company's appeal was held on 28 June 2018. However, by a subsequent order dated 19 July 2018, the Council of State proceeded with the "improper suspension of proceedings", since it considered that the relevant decision within the dispute was that on the preliminary issue pending before the European Court of Justice, which had been raised by the Piedmont Regional Administrative Court on 21 June 2018, as to whether the breach of competition rules fell within the scope of cases of "serious errors committed in professional practice" provided for in Article 38 of the Code of Public Contracts under Legislative Decree 163 of 12 April 2006 ("Old Code of Public Contracts"). The enforcement of the judgment is still suspended, as provided for in the previous order of 5 April 2018. On 2 June 2019, finally, the European Court of Justice ruled on the abovementioned preliminary issue, declaring the breach of competition rules attributable to the case raised by the Piedmont Regional Administrative Court. Accordingly the hearing on the merits before the Council of State has been rescheduled for 16 January 2020; in that venue the Company's appeal was partially rejected, although without knowing the related reasons, for which the Board reserved the right to file grounds. Any assessment of the possible objection against the judgment by extraordinary means of appeal, such as an appeal with the Supreme Court on jurisdictional grounds or an appeal for revocation before the Council of State, will be postponed after having read the reasons for the judgment.

Following the judgment handed down by the Council of State on 16 January 2020, Consip s.p.A. asked the guarantors to enforce the guarantees (bid bonds) provided in the interest of Rekeep for the Consip Sanità tender (equal to € 10.4 million) and Consip Caserme (equal to € 3.4 million). Rekeep S.p.A., with independent appeals and additional grounds, challenged these measures before the Lazio Regional Administrative Court and obtained a single-member board's Presidential decree suspending them until the hearing to be held on 4 March 2020 before the Regional Administrative Court, which confirmed the suspension until the decision on the merits scheduled for 1 July 2020. In relation to the above-mentioned exclusions, ANAC (*Autorità Nazionale Anti Corruzione*, National Anti-Corruption Authority) decided to open two proceedings concerning its entry in the electronic criminal records of ANAC, as "Useful information". These proceedings were also suspended by ANAC until the outcome on the merits mentioned above and of proceedings for the application of disqualification measures, which have also been suspended.

In the Consolidated Financial Statements at 31 December 2016, after the Regional Administrative Court's judgment of 14 October 2016, which was confirmed by the Council of State's judgment of 1 March 2017, and which substantially reduced the fine that had previously been imposed while not accepting the Company's argument that it was completely extraneous to the accusations, the Directors already decided to maintain the provisions for future charges (equal to € 17.5 million), also taking account of the risk of enforcement of the abovementioned performance bond and bid bonds and despite the fact that Rekeep S.p.A. could submit sound arguments against the enforcement of the bonds in court.

With reference to the events referred to above, the Directors also point out that, despite a context that is significantly affected by new regulations and more restrictive approaches with respect to the previous ones, the Company believes that a risk may actually arise mainly with regard to delays in awarding some tenders attributable to situations of further worsening of the disputes connected with the participation in or the awarding of said tenders. To date the risk of the Company being temporarily excluded from public tenders as a result of an order issued by the ANAC can be reasonably regarded as not probable, above all when considering the data that Rekeep S.p.A. has recorded in relation to measures providing for the exclusion from tenders as a result of the Competition Authority's orders, which at present are four only from the adoption of the Competition Authority's Consip Scuole order (January 2016). As things stand as regards the abovementioned proceedings, there is no impediment for Rekeep S.p.A. to the participation and awarding of new calls for tenders by Consip and, more in general, by the Public Administration, and any other awarding procedure in progress remains absolutely valid. Moreover, on 16 June 2017, Rekeep S.p.A. received official communication from Consip to sign the agreements for the two batches of the "Consip Mies 2" tender relating to the award of an "integrated technology multi-service with energy supply for buildings used by Public Health Administrations": these agreements were formally signed on 20 September 2017 and the procedure to sign the individual supply orders was subsequently started. The Consip Sanità and Consip Caserme tenders did not generate consolidated Revenues until 31 December 2019 and are not included in the Group's backlog at 31 December 2019.

On 6 March 2020 Consip also notified the exclusion from the Consip Musei tender, with the request for enforcement of the related tender guarantee, which was formalised on 13 March 2020, and sending a notice to ANAC whereby it asked the latter to enter the exclusion in its records as "useful information.

Provision for termination employee benefits

This provision has been set aside to include the amounts due for severance and employee redundancy costs, as part of the sundry restructuring plans implemented by some Group companies over the last few years. The provision recorded a balance equal to € 358 thousand at 31 December 2019 (€ 394 thousand at 31 December 2018), against total uses of € 36 thousand in the year.

Provision for tax disputes

At 31 December 2019 the provision amounted to € 538 thousand, recording uses and releases which gave rise to a decrease of € 622 thousand during the year.

The change is almost fully attributable to the subsidiary H2H Facility Solutions S.p.A. whit reference to which, on 14 June 2018, the Italian Tax Police, Bologna Finance Police Unit, started a tax audit involving the subsidiary H2H Facility Solutions S.p.A., concerning the 2015 tax year (which was subsequently also extended to the 2013, 2014, 2016, 2017 and 2018 tax years) for income tax, VAT and IRAP (Regional Production Activity) tax purposes. Upon the completion of the audit, the Tax Police served a Report of Findings on the Company; in consideration of the dispute still pending with the Revenue Agency, the Company deemed it appropriate to set aside a specific provision for risk totalling € 435 thousand, relating to some remarks at the reporting date of the 2018 financial statements. During 2019 the dispute was settled by agreeing to settlement concessions procedures and determining the use of the provision and the release of the excess amount.

Other provisions for risks and charges

The provision, amounting to € 2,952 thousand at 31 December 2019, showing a decrease of € 1,146 thousand compared to the previous year (€ 2,098 thousand), which was affected by the reclassification of the balance at 31 December 2019 concerning the sub-group controlled by Sicura S.p.A. (€ 455 thousand) to discontinued operations. Net of this reclassification, provisions were reported for € 374 thousand and uses and releases for € 1,065 thousand, of which an amount of € 891 thousand relating to the Parent Company Rekeep S.p.A. during 2019.

18. DERIVATIVES

At 31 December 2019, the Group did not record any derivative assets or liabilities.

19. BORROWINGS, LOANS AND OTHER CURRENT FINANCIAL LIABILITIES

The items Non-current loans and Loans and other current financial liabilities include both the non-current and current portion of loans from credit institutions and consortium members, respectively. Furthermore, in application of the financial method of

recognizing leases, payables to other lenders are included, as well as other current debt balances of a financial nature such as, for example, the debt for the acquisition of investments or business units and the liability for dividends to be paid.

As at 31 December 2019 the Group reported the new item of "Financial liabilities for operating leases", as a result of the first-time adoption of the new accounting standard "IFRS16 – Leases" (for which reference should be made to note 3).

The tables below set forth the qualitative breakdown by current and non-current financial liabilities at 31 December 2019 and at 31 December 2018:

	31 December 2019	within 1 year	from 1 year to 5 years	after 5 years
Senior Secured Notes	339,905		339,905	
C.C.F.S. loan	8,889	1,111	7,778	
Artigiancassa loan	1,556	239	1,317	
ETNO Bank Spółdzielczy Mortgage Loan	88	25	63	
Other bank loans	4,310	39	4,271	
Prepaid interest expenses	(831)	(509)	(322)	
Accrued interest expenses	1,530	1,530		
Long-term bank borrowings and current portion of long-term bank borrowings	**355,447**	**2,435**	**353,013**	**0**
Current account overdrafts, advance payments and hot money	2,446	2,446		
Finance lease obligations	5,853	1,451	3,114	1,288
Financial liability for operating leases	42,920	6,086	21,157	15,676
Loans from syndicated shareholders	893	554	16	323
Loan from Parent Company Manutencoop Società Cooperativa	165	165		
Other financial liabilities	1,970	30	1,940	
Obligations from assignments of trade receivables with recourse	28,174	28,174		
Amounts collected on behalf of assignees of trade receivables	7,558	7,558		
Options on subsidiaries' minority shareholdings	231		231	
Debt for the acquisition of investments / business units	9,929	9,929		
Payables for dividends to sole shareholder	13,000	13,000		
Share capital to be paid into investee companies	3	3		

	31 December 2019	within 1 year	from 1 year to 5 years	after 5 years
Total FINANCIAL LIABILITIES	**468,589**	**71,830**	**379,471**	**17,288**
IFRS5 Reclassification	8,363	1,635	4,350	2,378
TOTAL FINANCIAL LIABILITIES BEFORE IFRS5 RECLASSIFICATION	**476,952**	**73,465**	**383,821**	**19,666**

	31 December 2018	within 1 year	from 1 year to 5 years	after 5 years
Senior Secured Notes	346,475		346,475	
C.C.F.S. loan	10,000		10,000	
Artigiancassa loan	1,676		958	718
Other bank loans	778	704	74	
Prepaid interest expenses	(1,125)	(512)	(613)	
Accrued interest expenses	1,700	1,700		
Long-term bank borrowings and current portion of long-term bank borrowings	**359,504**	**1,891**	**356,894**	**718**
Current account overdrafts, advance payments and hot money	5,247	5,247		
Finance lease obligations	3,577	451	1,604	1,523
Loans from syndicated shareholders	1,217	483	87	647
Loan from Parent Company Manutencoop Società Cooperativa	216	216		
Other financial liabilities	7	7		
Obligations from assignments of trade receivables with recourse	18,379	18,379		
Amounts collected on behalf of assignees of trade receivables	9,934	9,934		
Options on subsidiaries' minority shareholdings	214		214	
Debt for the acquisition of investments / business units	756	756		
TOTAL FINANCIAL LIABILITIES	**399,053**	**37,366**	**358,799**	**2,888**
Effects of adoption of IFRS 16	48,602	7,000	20,077	21,526
TOTAL FINANCIAL LIABILITIES	**447,655**	**44,366**	**378,876**	**24,414**

Senior Secured Notes (Rekeep S.p.A.)

On 6 July 2017, the CMF S.p.A. vehicle launched a high-yield bond issue named "*€360,000,000 9.0% Senior Secured Notes due 2022*", which is not convertible and not subordinated, for a total amount on account of principal of € 360 million and due 15 June 2022. The Notes, which were reserved for institutional investors and were listed on the Euro MTF segment managed by the Luxembourg Stock Exchange, as well as on the Extra MOT, Pro Segment, of Borsa Italiana, were issued at a price equal to 98% and a coupon at a fixed rate of 9.0% p.a., payable on a six-monthly basis. The terms and conditions referred to in the rules of the Bond Issue are laid down in the Indenture, which is governed by the law of the State of New York. This bond issue was initially deposited by Bank of New York in escrow account, until it was released on 13 October 2017.

As required by the Offering Memorandum for the bond issue, on 1 July 2018 the Group completed the merger of CMF S.p.A. by incorporation into its subsidiary Rekeep S.p.A., according to Article 2501-*bis* (merger with debt), thus giving rise to the acquisition directly by Rekeep S.p.A. of the bond issue, together with any related obligations and guarantees described below in this paragraph and in note 35.

The rules of the bond issue provide for a system of guarantees and covenants to protect the Bondholders' investment. There are in fact some limitations on the financial operations of the Issuer and of its subsidiaries, while allowing the Group to operate freely, provided that the operations carried out contribute added value and cash flows to the Group, at least potentially. These covenants substantiate in some limitations on the possibility of incurring new indebtedness and making distribution of dividends, investments and some types of payments outside the Restricted Group (restricted payments). Furthermore, there are also rules governing the allocation of sums obtained from the sale of fixed assets, the performance of non-recurring and related-party transactions and the release of collateral on corporate assets to third parties. The covenants in question substantiate in the compliance with certain financial parameters (incurrence base financial covenants), the fulfilment of some conditions or the application of a quantitative limit on the performance of the transactions referred to above rather than in a full prohibition on carrying out the aforesaid transactions. Finally note interim reporting obligations concerning the Group's financial position, results of operations and cash flows. The limits and provisions laid down in the rules of the bond issue are in line with market practice for similar operations. The failure by the Issuer to comply with one or more covenants, in addition to significant events that give rise to a state of insolvency, constitute default events. There is the possibility of remedying most of them within a certain period of time. The default event relating to the state of insolvency or the failure to remedy the other default events constitute grounds for *acceleration*, i.e. the beneficiary's forfeiture of the right to the time limit and the early redemption of the Notes. No default events had occurred and the financial parameters, which are not subject to periodic audits, had been in any case complied with at the reporting date of these Financial Statements.

In early 2019 Rekeep S.p.A. also formalised the purchase of portions of its bond issue on the open market for a nominal total of € 10,300 thousand, which were subsequently cancelled. The weighted average repurchase price was less than 85% against a price for the issue equal to 98% at 6 July 2017. These transactions entailed the recognition of financial capital gains equal to € 1,598 thousand through consolidated profit or loss for the period.

Finally, the upfront fees relating to the issue of the Senior Secured Notes were accounted for according to the amortized cost method, which, in accordance with IFRS 9, entailed the recognition of financial amortization charges in 2019, equal to € 3,730 thousand, of which an amount of € 387 thousand relating to the write-off of the portion relating to the repurchased Notes.

Super Senior Revolving Credit Facility (RCF)

At the same time as the bond issue, CMF S.p.A. also entered, as the Parent Company, into a Super Senior Revolving loan agreement for € 50 million (RCF), to which Rekeep S.p.A. was a party as Borrower.

The 5-year credit facility (expiring on 15 December 2021) provides for a credit line at sight, in a maximum nominal amount of € 50 million, for the entire term. The facility was activated in order to meet temporary cash requirements (if any) and therefore ensures greater financial flexibility. After the merger of CMF S.p.A. by incorporation into subsidiary Rekeep S.p.A., Servizi Ospedalieri S.p.A. may also access the Super Senior Revolving credit facility, providing a specific personal security.

The Super Senior Revolving loan agreement provides for compliance with a financial covenant, which is preliminary to the possible use of the line granted. This financial covenant is in line with the market practice for similar financing transactions and is recognized on a quarterly basis on the basis of the data relating to the last 12 months, as resulting from the financial position, results of operations and cash flows approved during the quarter prior to the date of the application for use of the credit facility. On the reporting date of these financial statements the financial covenants had been complied with and no use of the facility had been requested from the execution of the agreement.

Prepaid interest expenses

At 31 December 2019 the Group recognized prepaid interest expenses of € 831 thousand. The item mainly related to arrangement fees initially paid by CMF S.p.A. for entering into the Super Senior Revolving (RCF) facility agreement. In 2017 CMF S.p.A. charged back all the costs concerning the subscription of this credit line (initially equal to € 1.0 million) to Rekeep S.p.A.. These costs were amortized on a straight-line basis throughout the term of the credit facility and showed a remaining balance of € 469 thousand at 31 December 2019.

Accrued interest expenses

At 31 December 2019 the Group also recognized accrued interest expenses for € 1,530 thousand, of which an amount of € 1,399 thousand relating to the amount accrued on the coupon of the Senior Secured Notes due 15 June 2020.

C.C.F.S. loan (Rekeep S.p.A.)

On 14 November 2017 the Parent Company Rekeep S.p.A. signed a loan agreement with CCFS for a total amount of € 10 million. The loan includes two lines of credit, the first of which, amounting to € 5,000 thousand, was disbursed at the same time as the execution and will expire in April 2023. The second 66-month line of credit, for an additional amount of € 5,000 thousand, was disbursed on 13 February 2018 and provides for the repayment in six-monthly instalments, with a pre-amortization period of 12 months. Both lines are subject to an interest rate composed of a 6-month Euribor plus a spread. This loan is also backed by a pledge on the shares of subsidiary H2H Facility Solutions S.p.A..

As at 31 December 2019 the loan showed a remaining value of € 8,889 thousand following the payment of the first two instalments for the repayment of the second line.

ETNO Bank Spółdzielczy (Naprzód Group) Mortgage Loan

The amount of € 88 thousand consists of the remaining value of a mortgage loan which was taken out by subsidiary Jol-Mark of the newly-acquired Polish Naprzód group, due to expire on 31 July 2023.

Artigiancassa loan (Rekeep S.p.A.)

On 21 June 2018 the Parent Company obtained a soft loan from the "Energy and Mobility Fund" of the Marche Regional Government, aimed at supporting the development of energy efficiency of healthcare units. This soft loan is disbursed partly in the form of an 8-year financing on the part of Artigiancassa S.p.A. for an amount of € 1,676 thousand and a pre-amortization period of 12 months. This loan does not bear interest and provides for the payment of 14 six-monthly instalments falling due on 31 March and 30 September of each year.

As at 31 December 2019 the loan showed a remaining balance of € 1,556 thousand following the payment of the first instalment for repayment.

Other bank loans

Other bank loans amounted to € 4,310 thousand at 31 December 2019, consisting of loans taken out by the companies in the newly-acquired Naprzód sub-group with bank counterparties for € 4,236 thousand, of which an amount of € 3,965 thousand was already outstanding as at the closing date. As at 31 December 2018 the item, equal to € 778 thousand, related almost entirely to a loan taken out by Rekeep S.p.A. with Deutsche Bank S.p.A. which was repaid in August 2019.

Current account overdraft, advance payments and hot money

At 31 December 2019 this item showed a balance of € 2,446 thousand, against an amount of € 5,247 thousand at the end of the previous year.

Bank overdrafts and advance payments are not backed by guarantees. Their management is linked to temporary cash requirements within inflows and outflows on the reporting date.

As at the reporting date, an amount of € 4 thousand relating to overdrafts and advance payments pertaining to the sub-group controlled by Sicura S.p.A. was reclassified to "Liabilities directly associated with non-current assets held for sale".

Obligations arising from finance lease

The lease agreements entered into are not secured and are signed by subsidiaries Servizi Ospedalieri S.p.A., Medical Device S.r.l., the Turkish subsidiary EOS and some companies in the Polish Naprzód sub-group. They refer to motor vehicles and plant and machinery, mainly relating to Servizi Ospedalieri S.p.A. that uses them in the laundering and sterilization production processes, and to the Naprzód Group. During 2019 Servizi Ospedalieri signed three new lease agreements for € 289 thousand. An additional amount of € 3,416 thousand was recognized following the business combination of the Naprzód Group.

As at the reporting date an amount of € 21 thousand of finance leases was reclassified to "Liabilities directly associated with non-current assets held for sale" since they pertained to Gruppo Sicura.

Financial liability for operating leases

Following the adoption of the new accounting standard IFSR16 – *Leases*, the Group recognized a financial liability of € 42,920 thousand at 31 December 2019. This liability consists of the present value of all the future payments to be made under agreements previously classified as "operating leases". The main cases of operating leases reported within the Group concern: (i) property leases for the Group's offices throughout Italy, (ii) long-term hire for the corporate fleets of the Group companies, (iii) other forms of hiring of equipment used in the performance of some work contracts.

Compared to the value at 1 January 2019 (shown in the table at 31 December 2018 as additional information for comparative purposes), when it totalled € 48,602 thousand, the liability recorded a net reduction of € 5,683 thousand, of which an amount of € 5,347 thousand was attributable to the reclassification of the balance of the operating lease liability pertaining to Gruppo Sicura to "Liabilities directly associated with non-current assets held for sale" at 31 December 2019. Other changes related to the payment of lease and hire rentals and early termination for € 6,991 thousand and to increases for new agreements concerning property leases and the long-term hire of vehicles and equipment, equal to € 6,493 thousand, and to the contribution given by the business combination of the Naprzód Group for € 162 thousand.

The analysis conducted upon first-time adoption in the Consolidated Financial Statements highlighted, first of all, the need for the evaluation of an appropriate marginal discount rate, which was differentiated by type of hire (property leases, long-term hire and hiring of business equipment), as well as by average term and allocation of costs relating to these contracts (head office functions and/or each line of business). For more details on the rates used by Group companies, reference should be made to note 3 above.

Syndicated loans

This item refers to financing provided by the consortium members, which are minorities in the consortium companies included within the scope of consolidation, since they are owned or held in joint venture at 50%. In certain cases, these loans are non-interest-bearing loans and are repayable on request. In other cases, they have a contractually defined maturity and, in others still, they do not have a contractually defined maturity but will essentially be repayable at the end of the long-term service contract, on the basis of which the consortium company was established. At 31 December 2019 the overall balance of these loans amounted to € 893 thousand, recording a decrease compared to 31 December 2018, when they amounted to € 1,217 thousand, to be charged to the amount of loan entered into with the minority quotaholder by Elene Project S.r.l., which was deconsolidated following the sale of almost the entire quota held by Rekeep S.p.A. to MFM Capital S.r.l., which took place on 12 December 2019.

Due to factoring agencies

This item includes receipts from customers on receivables assigned within the factoring of trade receivables without recourse . The amounts collected, equal to € 7,558 thousand at 31 December 2019, were transferred to the factor in the subsequent month after the end of the financial year. An amount of € 4,033 thousand pertain to the Naprzód sub-group.

Obligations from assignments of receivables with recourse

The Parent Company Rekeep S.p.A. entered into an agreement for the assignment with recourse of trade receivables with Unicredit Factoring S.p.A., concerning receivables from Public Authorities, in 2015. During 2019 assignments with recourse were made with regard to trade receivables at a nominal value of receivables of € 75,484 thousand. At 31 December 2019 the Group showed obligations arising from assignments with recourse of receivables equal to € 28,174 thousand, of which an amount of € 23,747 thousand relating to the relationship with Unicredit Factoring S.p.A. (€ 18,379 thousand at 31 December 2018).

Options on subsidiaries' minority shareholdings

The options on subsidiaries' minority shareholdings were recognized for an amount of € 231 thousand at 31 December 2019 in relation to the estimated liability linked to the Put option held by the minorities of Rekeep France S.a.s. (formerly Manutencoop France S.a.r.l.), whose shareholding of 30% was transferred to third parties on 15 January 2018 under an Investment Agreement signed in 2017. This option may be exercised between 30 June 2021 and 30 June 2023.

As at the reporting date the Group also held put options for an additional amount of € 1,315 thousand reclassified to "Liabilities directly associated with non-current assets held for sale" since it pertained to Gruppo Sicura. More specifically, this was the fair value of the put option held by the minority quotaholder of Emmetek S.r.l. and granted under the agreements signed at the time of the acquisition of the company on the part of Sicura S.p.A. on 3 July 2019. The option may be exercised between 1 January 2022 and 31 December 2022, subject to the prior approval of the acquiree's financial statements at 31 December 2021.

Debt for the acquisition of investments/business units

This item amounted to € 9,929 thousand at 31 December 2019 and increased for a total amount of € 9,713 thousand compared to 31 December 2018 (€ 756 thousand).

The change must be attributed to the recognition of the amount of deferred price relating to the acquisition of Naprzód S.A., which was recognized by subsidiary Rekeep World S.r.l., equal to € 7,162 thousand, which will be paid in 2020 and which will accrue interest until the date of payment. Furthermore, Naprzód S.A. recognized payables for the acquisition of minority interests of other companies in the Polish sub-group, equal to € 2,701 thousand. The period also saw the full payment of the deferred consideration that Sicura S.p.A. paid the third-party shareholder for the purchase of the residual minority interest in subsidiary Evimed S.r.l. (initially equal to € 690 thousand).

A portion of the payable for the acquisition of investments outstanding at 31 December 2019 was reclassified to "Liabilities directly associated with non-current assets held for sale" and related to the recognition by Sicura S.p.A. of the deferred consideration for the acquisition of Emmetek S.r.l., for a remaining amount totaling € 1,676 thousand (of which an amount of € 838 thousand in the medium/long-term).

Debt for dividends

On 17 December 2019 the parent company Rekeep S.p.A. passed a resolution to distribute a dividend of € 13,000 thousand to the Sole Shareholder Manutencoop Società Cooperativa, by using available revenue reserves, which was paid on 31 January 2020.

Other financial liabilities

As at 31 December 2019 other financial liabilities were recorded for € 1,970 thousand (against € 7 thousand at 31 December 2018), which were almost entirely attributable to loans to non-banking counterparties that were taken out by companies in the Naprzód sub-group, which were already outstanding as at the closing date.

20. CONTINGENT LIABILITIES

As at the date of approval of the Consolidated Financial Statements at 31 December 2019 contingent liabilities had arisen for the Rekeep Group which had not been recognized in the accounts, for which the Management believes that the related financial risks can be regarded as possible but unlikely.

Antitrust Authority's order for sanctions on FM4Tender

On 23 March 2017 the Competition Authority notified Manutencoop Facility Management S.p.A. (now Rekeep S.p.A.) with the start of a preliminary investigation procedure against the Company itself, as well as against CNS – Consorzio Nazionale Servizi Società Cooperativa, Dussmann Service S.r.l., Engie Servizi S.p.A. (formerly Cofely Italia S.p.A.), ManitalIdea S.p.A., Romeo Gestioni S.p.A. and STI S.p.A. and subsequently extended to Exitone S.p.A., Manital Società Consortile per i Servizi Integrati per Azioni Consorzio Stabile, Manital S.c.p.a., Gestione Integrata S.r.l., Kuadra S.r.l. in Liquidation, Esperia S.p.A., Engie Energy Services International SA, Veolia Energie International SA, Romeo Partecipazioni S.p.A., Finanziaria Bigotti S.p.A., Consorzio Stabile Energie Locali S.c.a.r.l. to ascertain whether those companies put in place a possible anti-competitive agreement whose subject matter consisted of the coordination of the procedures for taking part in the tender called by Consip in 2014 for awarding the facility management services intended for properties mainly for office use of the Public Administration (known as "FM4 Tender"). On 9 May 2019, after the completion of the abovementioned proceedings, the Authority served the final order, considering the existence of the agreement restricting competition between some of the abovementioned companies and imposing a sanction of € 91.6 million on the Company.

Rekeep S.p.A., also on the basis of what has been agreed with its lawyers and maintaining the position it has always taken on the matter, believes that the sanctioning order is completely groundless. The Company therefore considers that the measure is unjustified; furthermore, since it is also sure of the absolute correctness of its conduct and of having always acted in compliance with the market rules applicable to the Consip FM4 Tender, on 3 July 2019 it challenged the Authority's Order before the Lazio Regional Administrative Court (TAR), while submitting a preliminary request for suspending the payment of the fine.

Finally, on 18 July 2019 the Lazio Regional Administrative Court granted the request submitted by the Company and ordered for the payment of the fine imposed by the Competition Authority to be suspended until the date it rules on the merits, subject to prior provision of a deposit, including through a surety policy, in favour of the Authority itself for an amount equal to the fine imposed on the Company, within 60 days from the date of the order. The hearing for discussing the merits has been set for 6 May 2020.

The Company filed an appeal against the Regional Administrative Court's order with the Council of State on 1 August 2019, while on 12 September 2019 the Council of State rejected the appeal, confirming the Regional Administrative Court's order of 17 July. On 17 September 2019 the Company informed the market that it had not provided any deposit in favour of the Competition Authority; on 29 October the latter formally asked the Company to provide the deposit within 15 days, in the enforcement of the Regional Administrative Court's order of September, while informing that, if the Company failed to do so, the sums due would have been entered in the taxpayers' list. The Company did not provide any deposit within the expiry of said time limits, while also believing that the payment of the sums entered in the taxpayers' list could take place within the time limits and according to the methods prescribed by law, also pursuant to Article 19 of Presidential Decree 602/1973 and Ministerial Decree of 6 November 2013, as supplemented by the Directives issued by the Revenue Agency – Collection.

The entry of the sums in the taxpayers' list requested by the Competition Authority was made enforceable by the Revenue Agency following the issue of a notice of payment on 18 December 2019 for an amount equal to € 94,611 thousand, including collection charges of € 2.8 million. On 23 December 2019 the Company submitted a request for payment of these sums in instalments, which was formally granted on 10 January 2020. This order provides for the payment of 72 monthly instalments, at an interest rate of 4.5% as from 24 January 2020. The Company has started to pay these instalments on a regular basis, waiting for the developments of the legal action expected in the trial proceedings.

Furthermore, on 28 June 2019 Consip S.p.A. formally served on Rekeep S.p.A. the order providing for its exclusion from the FM4 Tender due to the breach of Article 38, paragraph 1.f, of Legislative Decree 163/2006, as well as of Article 68 of Royal Decree 827/1924 and of Article 38, paragraph 2, of Legislative Decree 163/2006, while also notifying the enforcement of the provisional guarantees provided by Rekeep S.p.A. in tendering (equal to € 3.9 million). With regard to this exclusion, ANAC (*Autorità Nazionale Anti Corruzione*, National Anti-Corruption Authority) initiated a procedure under Article 38 paragraph 1-*ter* of Legislative Decree no. 163/2006. On 3 July 2019 Rekeep S.p.A. filed an appeal with the Lazio Regional Administrative Court in order to seek the annulment of the acts of Consip S.p.A.; on 10 July 2019 the administrative court ordered for them to be suspended pending its own ruling on the appeal against the Competition Authority's order, while also setting the hearing in chambers for the decision on the preliminary request for 11 September 2019. On that occasion, the Lazio Regional Administrative Court partially granted the request, while providing for the suspension of the enforcement of the sureties and setting the hearing to discuss the merits for 15 July 2020. Rekeep S.p.A. appealed against the precautionary measure before the Council of State in that it had not granted the request for suspension of the exclusion from the Consip FM4 tender, but the Council of State rejected the appeal on 28 November 2019. On 4 November 2019 the Company submitted an appeal to the Lazio Regional Administrative Court against the proceedings initiated by ANAC, which, at present, have been removed from the docket in consideration of the fact that on 24 January 2020 ANAC ordered to suspend the proceedings while waiting for the settlement of the disputes brought in first instance

before the Regional Administrative Court for the Competition Authority's Consip FM4 orders and for the exclusion from the Consip FM4 tender.

To date, since the FM4 Tender has not yet been awarded on a final basis, potential revenues have never been included in the Group's portfolio of new and renewed contracts (backlog).

In relation to the FM4 affair, the Directors are confident that the defence arguments are well founded and believe that there is significant uncertainty in the pending litigation; furthermore, as things stand in the analyses in progress with party-appointed lawyers, they believe that there are no probability requirements, in addition to those that could be determined reliably, requested by international accounting standards for the allocation of a provision for risk.

However, on 31 December 2019, even while pending the judgment on the merits, the hearing of which is scheduled for 6 May 2020, the Company took steps to recognize the liability arising from the notice of payment issued by the Revenue Agency – Collection among "Other current liabilities" in the Statement of Financial Position for the corresponding amount (€ 94,611 thousand). This liability will be paid off through the payment of the 72 instalments set out in the instalment payment plan concerning the notice itself, according to the methods set out and until the Company's appeal is possibly granted within the pending proceedings. Furthermore, the deposit was stated among the balance sheet assets, since it constitutes a receivable against sums that are potentially subject to return following the settlement of the existing dispute (however, the time required for the judgment to become final cannot be estimated at present) and that cannot however be claimed automatically, even following the repayment of the entire debt. For this reason, this receivable was recognized among "Other non-current assets".

Furthermore, the Company continues to hold that it considers the Competition Authority's order unjustified and disproportionate and will continue to take any necessary action against it to protect its rights and interests. The recognition of this payable is in fact a direct consequence of a decision made by the Regional Administrative Court, which did not grant the suspension of the payment until the discussion of the merits and this decision in no way anticipates the Regional Administrative Court's future rulings on the subject matter of the appeal (the fine) but only a method of collection assessed by the Court itself which is consistent with the need to protect the financial interests of the Competition Authority, instead of those of the plaintiff companies.

Counting fully on the arguments discussed with its lawyers and subject to the prior verification of the consolidated financial planning, as well as whether the conditions actually exist in order to be able to meet said non-recurring cash requirements, the Directors did not find uncertainties for the purposes of assessing the going concern basis.

Compensation for damages for the fire that occurred in the former Olivetti area at Scarmagno (Turin)

On 19 March 2013 a violent fire broke out in the former Olivetti area in Scarmagno (Turin), which was the property of Prelios SGR and at which Manutencoop Facility Management S.p.A. (now Rekeep S.p.A.) performed maintenance work under contract, also through the use of subcontractors. The overall claim for damages submitted by the insurance companies for damaged parties was equal to over € 50 million, including claims for damages submitted by the owners of the properties concerned. In 2018 a settlement agreement was reached between Rekeep S.p.A. and Generali Assicurazioni, under which Rekeep S.p.A. (using funds provided to it by UnipolSai Assicurazioni S.p.A.) paid an overall amount of € 3,366 thousand, equal to 10% of the total sum paid by the insurance company to its insured parties, on account of full payment, write-off and settlement. The agreement also provides

that, as regards the position of Prelios SGR, since it is not a party to the agreement and since its liability is covered by an insurance policy taken out with Generali, Rekeep S.p.A. undertakes to hold harmless Generali Assicurazioni, until Prelios SGR's claim against Generali Assicurazioni becomes statute barred and up to an amount equal to the limit of Liability equal to € 2,600 thousand, from and against any expenditure which Generali should be required to sustain by virtue of a provisionally enforceable judgment. Finally, on 20 June 2019 Rekeep S.p.A. and UnipolSai entered into an agreement for the final settlement of the claim, following which on 2 July 2019 the insurance company paid the insured an amount of € 1,436 thousand (equal to the remaining limit of liability set out in the policy). Rekeep S.p.A., on the other hand, has undertaken to provide reports on the use of these amounts while UnipolSai has waived the right to take any recourse action, under Article 1916 of the Italian Civil Code, against persons or entities subject to civil liability (if any) for the fire, including Prelios SGR. The residual balance of these funds was equal to € 1,361 thousand at 31 December 2019.

In relation to the accident, which also involved, as potential indirectly liable persons, three former employees of Rekeep S.p.A. itself, the proceedings before the Court of Milan have been discontinued by the parties.

Enquiry of the Public Prosecutor's office of Naples relating to the tender for the awarding of cleaning services at A.O.R.N. Santobono Pausilipon

On 10 November 2017 ANAC, after the completion of proceedings initiated in November 2016 following a report made by A.O.R.N. Santobono Pausilipon in Naples, imposed a sanction ("ANAC's Order") on Rekeep S.p.A. (Manutencoop Facility Management S.p.A. at that time), raising objections concerning the failure to provide a declaration relating to the absence of criminal proceedings against one of the Company's proxy holder in the documentation submitted for the same tender in 2013. On the other hand, this proxy holder met the legal requirements in full. In addition to a fine of € 10 thousand, the ANAC's Order provided for the Company to be excluded from all public tenders for a period of 6 months as from the date of entry in the computerised records of economic operators in public contracts. The Company, which considers that the order is unfounded and based on erroneous legal grounds, in addition to being disproportionate with respect to the alleged infringement, filed an appeal with the Lazio Regional Administrative Court, while asking the President of the competent division to order the immediate suspension of the measure before any discussion on the merits of the case ("request for precautionary measure from a single-member court"). On 15 November 2017 this request was granted and all the effects of the ANAC's Order were suspended. On 21 December 2017 the Lazio Regional Administrative Court granted the appeal, as regards the merits, submitted by the Company and annulled the ANAC's Order. Subsequently, the latter challenged the administrative court's ruling before the Council of State, while submitting a request for precautionary measures for the suspension of the effects of the trial judgment. At the hearing held on 8 March 2018 the Council of State rejected this request, ordering ANAC to pay expenses, waiting for the hearing on the merits to be set.

By a judgment published on 27 December 2018, the Council of State granted the appeal filed by ANAC against the Lazio Regional Administrative Court's ruling of 21 December 2017, which had annulled the ANAC's Order.

The Company, also on the basis of what has been agreed with its lawyers and maintaining the position it has always taken on the matter, believes that this judgment, as well as the ANAC's order, are based on erroneous and non-existent factual and legal assumptions and that the said order is not proportional to the alleged infringement. The Council of State's ruling was therefore challenged by the Company on 9 January 2019 before the Supreme Court in order to obtain its full annulment due to excessive

jurisdictional powers, since the Council of State applied a non-existent rule (thus actually creating a new one), given that Article 38, paragraph 1-*ter* of Legislative Decree no. 163/2006, to which reference is made, regulates only the case of "submission of false declarations or false documentation in tender procedures", while disregarding the different case of failure to submit the required declarations in tender procedures. It should also be noted that according to the subsequent and current regulations on tendering, the failure to submit similar administrative documentation would not even constitute a possible infringement but would be remedied merely through the "preliminary relief", or merely through a request by the Public Administration for additions to the incomplete documentation.

On 9 January 2019, a request for precautionary measure from a single-member court was submitted to the Council of State for it to suspend the judgment of 27 December 2018 pursuant to Article 111 of the Italian Code of Administrative Procedure. The President of the competent division accepted the request made by the Company by a specific Decree, whereby it suspended the effects of the judgment and of the ANAC's Order until the hearing of the Council of State that was held on 24 January 2019, in which it confirmed the decision made by the President until the ruling of the Supreme Court that set the public hearing for discussing the appeal on 10 March 2020. The hearing has been postponed to a date to be scheduled due to the Covid-19 emergency.

The judgment was also challenged by the Company before the Council of State on 6 February 2019 by means of an appeal for revocation, complaining about a "factual error entailing the revocation" and claiming that: (i) the Company did not submit any false declaration, but merely failed to submit a declaration (Article 38, paragraph 1.c) on the part of one of its proxies who, moreover, met the legal requirements in full, as she had no criminal record; (ii) the Company was never accused of failing to meet the requirement. The hearing on the merits is scheduled for 2 April 2020 but it is reasonable to believe that it will be postponed due to the Covid-19 emergency.

Finally, the Company is considering with its lawyers to bring further defence actions before the competent European jurisdictional Authorities (the European Court of Human Rights and the European Court of Justice).

It should be noted that the measure for exclusion would have no effect on Rekeep S.p.A.'s ability to participate in tenders launched by private parties, nor on the performance of the contracts in its portfolio.

Italian Finance Police's Report of Findings served on Rekeep S.p.A.

On 10 April 2019 the Italian Tax Police (*Guardia di Finanza*) - Bologna Economic and Financial Police Unit – started a tax audit involving Rekeep S.p.A.. The audit was completed on 25 July 2019 with the service of the report of findings (*Processo Verbale di Constatazione*, PVC), which reported some remarks regarding VAT on some specific supply contracts, as well as remarks regarding VAT, IRES and IRAP tax for the 2017 financial year, for a higher tax due totalling € 1.7 million. The Company is considering, together with its consultants, the arguments and the materiality of the findings reported by the inspectors. At the date of approval of the Financial Statements, the management was assessing the risk of losing the case and, after having heard its consultants, now believes that this risk is possible.

21. TRADE PAYABLES, CONTRACT LIABILITIES AND OTHER CURRENT PAYABLES

The table below sets forth the breakdown of the item at 31 December 2019 and 31 December 2018:

	31 December 2019	of which to related parties	31 December 2018	of which to related parties
Trade payables	372,557		360,959	
Trade payables to third parties	**372,557**	**0**	**360,959**	**0**
Trade payables to Manutencoop Società Cooperativa	8,924	8,924	9,026	9,026
Trade payables to Group companies within 12 months	13,079	13,079	11,603	11,603
Trade payables to Manutencoop Group	**22,003**	**22,003**	**20,629**	**20,629**
Advances from customers including contract liabilities	21,309	1	18,014	98
IFRS5 Reclassification	(9,919)	(36)	0	
Trade payables and contract liabilities	**405,950**	**22,004**	**399,602**	**20,727**
Fees due to directors and statutory auditors	293		306	
Tax payables	8,643		9,925	
Payables to social security institutions within 12 months	15,059		9,895	
Other payables to TJA	12,382		10,019	
Payables to employees within 12 months	53,850		47,820	
Other payables within 12 months	102,126		9,054	
Property collection on behalf of customers	2,176		2,176	
Other current operating payables to third parties	**194,529**	**0**	**89,195**	**0**
Other current payables to Manutencoop Società Cooperativa	68	68	28	28
Other payables to Group companies	2	2	2	2
Other current operating payables to Manutencoop Group	**70**	**70**	**30**	**30**
Accrued expenses	251		9	
Deferred income	1,104		1,126	
Accrued expenses and deferred income	**1,355**	**0**	**1,135**	**0**
IFRS5 Reclassification	(3,489)	0	0	0
Other current operating payables	**192,465**	**70**	**90,360**	**30**

Trade payables do not accrue interest and are settled, on average, 90/120 days from the invoice date. The other payables are non-interest bearing payables and are settled, on average, after 30 days, excluding payables due to employees for accrued 13th and 14th monthly pay and holidays paid at 6 months on average, and the amounts due to the Tax Authorities on account of VAT.

Trade payables and contract liabilities amounted to € 405,950 thousand at 31 December 2019, against a balance of €399,602 thousand at 31 December 2018; therefore, an increase of € 6,348 thousand was recorded despite the reclassification of the value of the Sicura Group's trade payables, equal to € 9,919 thousand at 31 December 2019, to "Liabilities directly associated with Assets held for sale"

Other current liabilities showed a balance of € 192,465 thousand at 31 December 2019 (€ 90,360 thousand at 31 December 2018) and are mainly made up of the following items (stated before IFRS5 reclassification):

- payables to employees of € 53,850 thousand (€ 47,820 thousand at 31 December 2018) including the current monthly salaries to be paid in the months after the end of the period, as well as payables for additional monthly salaries to be paid (a portion of the 14th salary, to be paid in the month of July, and the 13th salary, to be paid each year in the month of December). Furthermore, the corresponding payables to social security institutions were recognized for € 15,059 thousand (€ 9,895 thousand at 31 December 2018);
- payables to tax authorities for € 8,643 thousand, mainly relating to the balance of payables for VAT payments on the part of some Group companies and of the IRPEF tax payable for employees (€ 9,925 thousand at 31 December 2018);
- receipts on behalf of Temporary Associations of Companies (ATI) for € 12,382 thousand, which relate to the amounts collected by the Group, on behalf of third parties, mostly relating to job orders under "CONSIP" agreements (€ 10,019 thousand at 31 December 2018).

"Other payables within 12 months", equal to € 102,126 thousand at 31 December 2019, include the payable relating to the deposit for the fine imposed by the Competition Authority in relation to the Consip FM4 Tender, (see note 20 "Contingent liabilities"). Even while pending the judgment on the merits, the hearing of which is set for 6 May 2020, the Company took steps to recognize the liability arising from the notice of payment issued by the Revenue Agency – Collection among "Other current liabilities" in the Statement of Financial Position for the corresponding amount (€ 94,611 thousand). This liability will be paid off through the payment of the 72 instalments set in the instalment payment plan of the notice itself, according to the methods set out and until the Company's appeal is possibly granted within the pending proceedings. Furthermore, the deposit was stated among non-current balance sheet assets, since it constitutes a receivable against sums that are potentially subject to return following the settlement of the existing dispute (however, the time required for the judgment to become final cannot be estimated at present) and that cannot however be claimed automatically, even following the repayment of the entire debt.

Furthermore, the payable related to the Competition Authority fine for the Consip Scuole Tender, recognized in the item under consideration following the dismissal by the Lazio Regional Administrative Court of the request for suspension of the payment submitted by Rekeep S.p.A. and subsequently payable in instalments, was paid in full on 31 December 2019 (€ 4,417 thousand at 31 December 2018).

Finally, the item "IFRS5 reclassification" includes the reclassification of the value of other current operating payables relating to the sub-group controlled by Sicura S.p.A. at 31 December 2019 to "Liabilities directly associated with Assets held for sale".

22. REVENUE FROM CONTRACTS WITH CUSTOMERS

The table below sets forth the breakdown of the item for the years ended 31 December 2019 and 31 December 2018:

	For the year ended	
	31 December 2019	**31 December 2018**
Revenues from product sales	23,912	17,440
Service revenues	844,246	810,988
Revenues from construction activities and plant installation	98,000	79,465
Other sales revenues	37,571	35,847
REVENUE FROM CONTRACT WITH CUSTOMERS	**1,003,729**	**943,740**

At 31 December 2019 *Revenue from contracts with customers* amounted to € 1,003,729 thousand (€ 943,740 thousand at 31 December 2018).

The item showed an increase of € 59,989 thousand, which was particularly contributed to by the Healthcare sector, also thanks to the contribution of revenues of € 19,814 thousand achieved by the Naprzód sub-group following the acquisition on 30 October 2019.

23. OTHER REVENUES

The table below sets forth the breakdown of the item for the years ended 31 December 2019 and 31 December 2018:

	For the year ended	
	31 December 2019	**31 December 2018**
Grants	553	605
Asset capital gains	69	161
Recovery of costs - seconded personnel	153	204
Compensation for damages	1,088	4,469

	For the year ended	
	31 December 2019	31 December 2018
Revenues for leases and rentals	22	16
Other revenues	1,468	687
OTHER REVENUES	**3,353**	**6,142**

At 31 December 2018 the balance of *Other revenues* amounted to € 3,353 thousand compared to € 6,142 thousand in 2018, showing a decrease of € 2,789 thousand.

This change was affected in 2018 by the recognition of a non-recurring item in the item of "Compensation for damage", under which proceeds had been accounted for as third-party compensation for damage for € 4,274 thousand on account of compensation for the damage suffered by the Parent Company Rekeep S.p.A. within a tender launched by Consip S.p.A. during 2010.

Operating grants, equal to € 553 thousand, mainly related to grants on training projects for subordinate staff. Finally, "Other revenues" include other residual revenues attributable to the last two months of the financial year of the Naprzód sub-group for € 953 thousand.

24. COSTS OF RAW MATERIALS AND CONSUMABLES

The breakdown of the item is shown below for the years ended 31 December 2019 and 31 December 2018:

	For the year ended	
	31 December 2019	31 December 2018
Fuel consumption	52,874	52,535
Consumption of raw materials	89,192	67,803
Purchase of semi-finished/finished products	1,291	1,711
Purchase of auxiliary materials and consumables	14,343	13,358
Packaging	1,978	1,875
Change in inventories of fuel and raw materials	(340)	(285)
Other purchases	3,543	3,147
CONSUMPTION OF RAW MATERIALS AND CONSUMABLES	**162,881**	**140,144**

At 31 December 2019 the item amounted to € 162,881 thousand compared to € 140,144 thousand at 31 December 2018. The increase, equal to € 22,737 thousand, was mainly due to the higher consumption of raw and auxiliary materials as a result of the integrated service contracts that were mostly developed during the current financial year and to the contribution of costs € 5,150 thousand incurred by the Naprzód sub-group in the two last months following the acquisition.

25. COSTS FOR SERVICES AND USE OF THIRD PARTY ASSETS

The breakdown of the item is shown below for the years ended 31 December 2019 and 31 December 2018:

	For the year ended	
	31 December 2019	**31 December 2018**
Third-party services	216,172	219,686
Consortia services	6,988	6,062
Equipment maintenance and repair	8,610	7,926
Professional services	38,924	38,976
Statutory Auditors' fees	357	321
Transport	8,837	7,846
Advertising and promotion	468	992
Bonuses and commissions	1,632	2,079
Insurance and sureties	6,192	5,421
Bank services	314	318
Utilities	7,253	6,828
Travel expenses and reimbursement of expenses	4,895	4,421
Employee services	6,997	6,866
Other services and contingent items	1,447	(491)
Costs for services	**309,086**	**307,251**
Rent expense and Hires	4,063	13,061
Hiring of equipment and others	5,432	4,946
Costs for leased assets	**9,495**	**18,007**
COSTS FOR SERVICES AND USE OF THIRD PARTY ASSETS	**318,581**	**325,258**
Effects of adoption of IFRS16	**0**	**(9,717)**
COSTS FOR SERVICES AND USE OF THIRD PARTY ASSETS	**318,581**	**315,541**

According to the previously applicable accounting rules, the "operating" lease cost for the period was accounted for in the Statement of Profit/Loss for the period, as "Cost for use of third-party assets", according to the matching principle and based on its accrual for the time being; the impact on the business cash flows was accounted for as "Cash flow from current operations" in the Statement of Cash Flows. Furthermore, the accounting standard IAS 17 provided for the financial method to be adopted for "finance" leases only, thus recognising the asset among balance sheet assets (and recognising accordingly any related amortization and depreciation) and the liability arising from future lease payments among balance sheet liabilities. Moreover, the related financial costs for the year were accounted for during the period of financial amortization of this liability. The new accounting standard IFRS16 provides for the recognition of the liability arising from agreements that were previously classified as operating leases in applying IAS 17 and, therefore, no "costs for use of third-party assets" were recognized during 2019 for all the cases identified in accordance with the new standard (in particular property leases and log-term hire for the corporate fleet). The accounting method used for transition is the "Modified retrospective approach", which does not provide for the restatement of accounting data for the previous year. However, it should be noted that effect on these costs would be a positive adjustment of € 9,717 thousand for the 2018 financial year.

For the year ended 31 December 2019 *Costs for services and use of third party assets* totalled € 318,581 thousand, marking an increase of € 3,040 thousand compared to the balance of the item on a like-for-like basis, to be attributed to an increase in costs for additional and residual services. Instead, there was a confirmation of a trend of reduction in costs for third-party services: as early as from the previous years the Group started in fact a major process of internationalisation in performing some activities, which entailed a change in the mix of production factors in favour of the labour cost and the same business internationalisation policy can be found in the newly-acquired Polish Naprzód sub-group, as described in note 22 below.

During 2019 the Parent Company Rekeep S.p.A. also started R&D projects in order to improve their business and delivery of services. The projects were developed and coordinated by internal resources based on their specific skills and duties, with the involvement of specific consultants for the various areas of business and were all completed in 2019. These research projects meet the requirements laid down in Law no. 190 of 23 December 2014 (Article 1, paragraph 35), as partly amended by Law no. 232 of 11 December 2016 (Article 1, paragraphs 15 and 16), as well as in the Implementing Provisions under a Decree issued by the Ministry of Economy and Finance in agreement with the Ministry of Economic Development on 27 May 2015 and fall within the scope of the parameters set out in the Communication from the Commission (2014/C 198/01) of 27 June 2014, which was published in the Official Journal C/198 of 27 June 2014. These regulations provide for a tax credit for investments made from 1 January 2015 to 31 December 2020 in relation to the expenses incurred in excess of the average of the same investments made in the three tax periods for the financial years 2012, 2013 and 2014, to an extent of 50% of the total incremental expense. Tax credits accrued during the year allowed the recognition of proceeds of € 48 thousand among "Other costs for services".

26. PERSONNEL COSTS

The breakdown of the item is shown below for the years ended 31 December 2019 and 31 December 2018:

	For the year ended	
	31 December 2019	**31 December 2018**
Wages and salaries	280,725	258,204
Social security charges	85,662	81,471
Secondment costs	30,900	32,645
ESI paid to INPS (National Social Security Institute) and to funds	16,406	14,635
Directors' fees	2,238	1,655
Other personnel costs	767	1,170
Current benefits	**416,698**	**389,780**
Employee termination indemnity provision	1,086	1,073
Subsequent benefits	**1,086**	**1,073**
Employment termination benefits	1,306	1,695
Employment termination benefits	**1,306**	**1,695**
PERSONNEL COSTS	**419,090**	**392,548**

At 31 December 2019, Personnel Costs, equal to € 419,090 thousand, showed an increase of € 26,542 thousand compared to the previous year (when they amounted to € 392,548 thousand).

The total change in Group personnel costs is necessarily correlated to the cost of services, as the mix of production costs linked to "internal" work (i.e. work performed by employees of Group companies) and "external" work (i.e. work performed by third-party providers) can change significantly according to organisational changes aimed at increasing overall productivity.

The ratio between *Revenues from sales and services* and the total amount of costs for internal personnel ("*make*") and services costs ("*buy*") relating to third-party services, services provided by consortia and professional services, came to 147% at 31 December 2019 against 144% at 31 December 2018. The "make-or-buy ratio" shows that the Group is continuing to implement an organisational preference for producing by greater recourse to internal production factors than to purchasing services from external sources.

The cost of personnel related to the work rendered in Italy is Euro 400,446 thousand (Euro 388,264 thousand at 31 December 2018). Furthermore the item includes the costs linked to the incentive system established in 2018 reserved for the top and middle management of the major Group companies for € 2,980 thousand (€ 2,954 thousand at 31 December 2018).

27. OTHER OPERATING COSTS

The breakdown of the item is shown below for the years ended 31 December 2019 and 31 December 2018:

	For the year ended	
	31 December 2019	**31 December 2018**
Capital losses on disposals of assets	211	25
Other taxes	1,675	1,648
Fines and penalties	1,210	1,752
Credit Discount on assignments of receivables	72	36
Other operating costs and contingent items	5,786	3,199
OTHER OPERATING COSTS	**8,954**	**6,660**

Other operating costs amounted to € 8,954 thousand, showing an increase of € 2,294 thousand compared to the previous year (€ 6,660 thousand at 31 December 2018).

In 2019 there was the recognition of non-recurring costs relating to the management of business relationships with the members of the Temporary Business Grouping which have claimed amounts on account of reimbursement for disputes of previous years for € 574 thousand and higher costs linked to the purchase and sale of energy certificates for € 625 thousand, sustained on behalf of a customer and invoiced back to the latter.

Residual operating costs of € 1,765 thousand incurred by the Naprzód Group in the two last months of the year also contributed to the increase in the item.

28. AMORTIZATION/DEPRECIATION, WRITE-DOWNS AND WRITE-BACKS OF ASSETS

The breakdown of the item is shown below for the years ended 31 December 2019 and 31 December 2018:

	For the year ended	
	31 December 2019	**31 December 2018**
Amortization of intangible assets	7,854	7,539
Depreciation of property, plant and equipment	19,537	20,261
Amortization of Rights of use	8,526	0
Write-downs of receivable, net of releases	1,866	2,982

	For the year ended	
	31 December 2019	31 December 2018
Other write-downs	6	340
AMORTIZATION/DEPRECIATION, WRITE-DOWNS AND WRITE-BACKS OF ASSETS	**37,789**	**31,122**
Effects of adoption of IFRS16	0	7,958
AMORTIZATION/DEPRECIATION, WRITE-DOWNS AND WRITE-BACKS OF ASSETS	**37,789**	**39,080**

As regards *Costs for services and use of third-party assets*" the adoption of the modified retrospective approach in the transition to the new IFRS16 requires the non-restatement of the book values of the previous year. For information purposes only, it should be noted that the accounting adjustment relating to the amortization of the Rights of Use would have been equal to € 7,985 thousand in 2018.

At 31 December 2019 *Amortization/depreciation, write-downs and write-backs of assets* amounted to € 37,789 thousand, showing a reduction of € 1,291 thousand compared to the balance of item adjusted by the effect of the adoption of IFRS16. Specifically note the following:

- an increase in amortization/depreciation for a total of € 159 thousand, mainly attributable to property, plant and equipment and rights of use; specifically, higher amortization and depreciation recorded as a result of an increase in the investments made were offset, during the financial year under consideration, by the effect of the restatement of the useful life of some categories of operating assets for linen rental and industrial laundering used by subsidiary Servizi Ospedalieri;
- a decrease in the write-downs of receivables made for € 1,116 thousand during the year;
- an increase in other write-downs, mainly concerning non-trade receivables for € 334 thousand.

29. DIVIDENDS, INCOME AND LOSSES FROM INVESTMENTS

The breakdown of the item is shown below for the years ended 31 December 2019 and 31 December 2018:

	For the year ended	
	31 December 2019	31 December 2018
Dividends	234	628
Capital gains (capital losses) from sale of equity investments	106	(1,471)

	For the year ended	
	31 December 2019	31 December 2018
DIVIDENDS, INCOME AND LOSSES FROM INVESTMENTS	**340**	**(843)**

In 2019, dividends were collected from other companies not included under the scope of consolidation. They amounted to € 234 thousand, € 138 thousand of which from investee companies of the Parent Company Rekeep S.p.A., € 96 thousand from investee companies of Servizi Ospedalieri S.p.A..

Capital gains (capital losses) from sale of equity investments included, in 2019, the difference between the book value of equity investments stated in the consolidated Financial Statements and the consideration obtained from the transfer of the interest previously held by Rekeep S.p.A. in Elene Project S.r.l. to third parties. The transfer to MFM Capital S.r.l., which took place on 12 December 2019, generated a net capital loss in the Consolidated Financial Statements against a net capital gain reported in the statutory Financial Statements of Rekeep S.p.A., since the consolidated value was different from the carrying amount at which they had been stated in the statutory Financial Statements (stated at historical acquisition cost).

Furthermore, the item includes an income of € 579 thousand, in relation to the collection of the earn-out on the disposal of Synchron Nuovo San Gerardo di Monza S.p.A. to 3i EOPF, which took place in December 2018, linked to uncertain and unforeseeable future events that occurred during 2019 (not recognized in the 21018 financial year for this reason).

In the previous year, the same item included the net capital loss recorded in the Consolidate Financial Statements following the disposal to third parties of investments in subsidiaries, associates and other investments previously held by Rekeep S.p.A. (against a net capital gain recorded in the statutory Financial Statements of Rekeep S.p.A.).

30. FINANCIAL INCOME

The breakdown of the item is shown below for the years ended 31 December 2019 and 31 December 2018:

	For the year ended	
	31 December 2019	31 December 2018
Interest on bank current accounts	121	80
Interest on non-proprietary and intercompany current accounts	36	319
Interest on trade receivables	1,902	923
Interest from discounting of non-interest bearing loans	4	63
Interest and other income from securities	15	0
Capital gains on sale of securities	1,598	0

	For the year ended	
	31 December 2019	31 December 2018
Other financial income	120	212
FINANCIAL INCOME	**3,796**	**1,597**

Financial income recorded an increase compared to the previous year, equal to € 2,199 thousand.

The main change in the item related to the recognition of the capital gain achieved by the Parent Company Rekeep S.p.A. t the time of the repurchase of some portions of its bond issue for a nominal value of € 10,300 thousand, which took place in the first quarter of the year.

In addition, significant default interest from a customer in the public sector were recognized by the Parent Company Rekeep S.p.A., following an in-court settlement ruling (€ 820 thousand).

31. FINANCIAL COSTS

The breakdown of the item is shown below for the years ended 31 December 2019 and 31 December 2018:

	For the year ended	
	31 December 2019	31 December 2018
Charges on other loans	32,275	17,083
Financial costs for finance leases	134	138
Financial costs for operating leases	1,704	0
Financial costs on intercompany loans	164	8,890
Interest discount on assignments of receivables without recourse	3,925	3,021
Interest on trade payables	496	622
Other financial costs	6,342	3,790
FINANCIAL COSTS	**45,040**	**33,544**
Effects of adoption of IFRS16	**0**	2,294
FINANCIAL COSTS	**45,040**	**35,838**

As reported above, the adoption of the “modified retrospective approach” in the transition to the new IFRS 16 does not necessarily require the restatement of the book values of the previous year. However, for the sake of clarity, it should be noted that the

accounting adjustment relating to financial charges on the financial liability for operating leases would have been equal to € 2,294 thousand for the item "*Financial costs"* as well.

Furthermore, net of this adjustment, "*Financial costs*" showed an increase of € 9,202 thousand in 2019 compared to the previous year.

Financial charges on other loans include financial costs on the coupons of the Notes for € 31,576 thousand, which accrued in 2019, while, in the 2018 financial year, financial charges were recognized for a total amount of 16,200 thousand, which accrued only from the date of the reverse merger of the former direct parent company CMF S.p.A., holding the Notes, into the Parent Company Rekeep S.p.A. as from 1 July 2018.

In 2018, *Financial costs on intercompany loans* included interest accrued on the Proceeds Loan that CMF S.p.A. had granted to the Parent Company until the date of merger, equal to € 7,869 thousand. It should be noted that the Proceeds Loan was fully repaid from the date of the merger

Other financial costs included financial charges for amortized cost incurred in 2019 for € 3,730 thousand, including the write-off on the Notes repurchased in February 2019 (€ 387 thousand), against € 1,604 thousand in 2018 incurred from the date of the merger of CMF S.p.A. into the Parent Company Rekeep S.p.A.. Furthermore, against the Proceeds Loan, CMF S.p.A. charged back to the Parent Company a portion of the additional issue costs for the Notes in proportion to the proceeds reserved for it on account of Proceeds Loan, accounted for at amortized cost. This entailed the recognition of additional costs (up to the date of merger) amounting to € 810 thousand in 2018.

Furthermore, *Other financial costs* finally included the costs for the Super Senior Revolving Credit Facility of € 50 million which was entered into by CMF S.p.A. as the Parent at the same time as the bond issue. These costs, which were initially equal to € 1,000 thousand, were also amortized on a straight-line basis throughout the term of the credit facility (for which no drawdown had been requested on the reporting date) and gave rise to amortization charges of € 240 thousand, equal to those accounted for in the previous year.

Finally, the Group finally recorded charges correlated to the assignments of receivables without recourse made during the year for € 3,925 thousand at 31 December 2019 (€ 3,021 thousand at 31 December 2018) and financial costs accrued on the financial liability for operating leases equal to € 1,704 thousand (they would amount to € 2,294 thousand in 2018).

32. CURRENT, PREPAID AND DEFERRED TAXES

The breakdown of the item is shown below for the years ended 31 December 2019 and 31 December 2018:

	For the year ended	
	31 December 2019	**31 December 2018**
Current IRES tax	12,517	10,849
Current IRAP tax	4,928	4,206
(Income) costs from tax consolidation	(3,356)	(7,726)
Adjustments to current taxes of previous years	25	(838)
Current taxes	**14,114**	**6,491**
Prepaid/deferred IRES tax	716	1,861
Prepaid/deferred IRAP tax	63	181
Prepaid/deferred taxes relating to previous years	63	(107)
Prepaid/deferred taxes	**842**	**1,935**
CURRENT, PREPAID AND DEFERRED TAXES	**14,956**	**8,426**

In 2019 the Group recorded taxes totalling € 14,956 thousand, marking an increase of € 6,530 thousand compared to the taxes recognized at 31 December 2018.

More specifically, the main changes are as follows:

- an increase of € 1,668 thousand in the current IRES tax balance;
- an increase of € 722 thousand in the current IRAP tax balance;
- a decrease of € 4,370 thousand in the balance of income from tax consolidation;
- negative adjustments to current taxes relating to previous years for € 25 thousand;
- the recognition of a net charge of € 842 thousand, relating to the total balance of prepaid and deferred taxes, with a decrease of € 1,093 thousand compared to the previous year. The future recovery of deferred tax assets has been assessed on the basis of the same forecasts as those used by the Management for the impairment test on goodwill (see note 6).

It should be noted that lower current IRES and IRAP tax was recognized for € 6.1 million 2018, following the submission of the supplementary returns of Forms Unico SC 2014 - 2018.

At 31 December 2019 the Group recognized Current tax receivables for a total amount of € 10,090 thousand, relating to the net balance of the excess IRES tax advances paid to the Tax Office or receivables from parent company Manutencoop Società Cooperativa which arose within the scope of the national tax consolidation in force with some Group companies, and Current tax payables equal to € 1,290 thousand relating to the IRAP tax balance to be paid.

The reconciliation between current income taxes accounted for and the theoretical tax resulting from the application of the IRES tax rate in force for the years ended 31 December 2019 and 31 December 2018 to pre-tax profit is as follows:

	31 December 2019		31 December 2018	
		%		%
PRE-TAX PROFIT	**18,306**		**24,269**	
Taxes calculated at the rate applicable in Italy - IRES tax	12,209		10,849	
(Income) costs from national tax consolidation	(3,356)		(7,726)	
Taxes calculated at the rate applicable in Italy – IRAP tax	4,928		4,206	
Taxes calculated at the rate applicable abroad	308		0	
Taxes for previous years	25		(837)	
EFFECTIVE TAX / RATE	**14,114**	**77.10%**	**6,491**	**26.75%**

The applicable theoretical rate in Italy is 24% of taxable income for the year, while taxes for foreign companies are calculated based on tax rates applicable at a local level. The table includes the effects on the current IRES tax arising from the recognition of proceeds from having joined the tax consolidation scheme.

Deferred tax assets and liabilities

At 31 December 2019 the Group recorded deferred tax assets of € 16,026 thousand, net of deferred tax liabilities of € 16,393 thousand, as shown below:

			Tax effect on the balance sheet	Tax effect through P&L	Tax effect on equity
	31 December 2018	of which Business Combinations	31 December 2019	31 December 2019	31 December 2019
Deferred tax assets:					
Expected credit losses	5,890		5,534	(356)	
Provisions for risks and charges	2,921		3,221	300	
Amortization	1,095		1,008	(87)	
Interest expense	3,167		3,072	(96)	

			Tax effect on the balance sheet	Tax effect through P&L	Tax effect on equity
	31 December 2018	of which Business Combinations	31 December 2019	31 December 2019	31 December 2019
Cash cost deduction	27		43	15	
Other consolidation adjustments	961	3	932	(117)	84
Other temporary adjustments	955	560	2,901	42	831
Foreign exchange effect					472
IFRS5 Reclassification	0		(685)		
Total deferred tax assets	**15,017**	**563**	**16,026**	**(299)**	**1,387**
Deferred tax liabilities:					
Goodwill amortization	(10,610)		(11,118)	(508)	
Purchase Price Allocation	(1,672)		(1,606)	67	
Cash cost reduction	(1,927)		(1,924)	3	
Employee benefit discounting	3		32	15	14
Other consolidation adjustments	(319)	10	(407)	(120)	31
Other temporary differences		(1,069)	(1,389)		
Foreign exchange effect					(320)
IFRS5 reclassification	0		18		
Total deferred tax liabilities	**(14,525)**	**(1,059)**	**(16,393)**	**(543)**	**(275)**
NET DEFERRED TAXES	**493**	**(496)**	**(367)**	**(842)**	**1,111**

33. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing consolidated net profit in the year pertaining to the Parent Company's ordinary shareholders by the weighted average number of outstanding ordinary shares during the year. Diluted earnings per share are, in

the case of the Rekeep Group, equal to basic earnings per share, since no convertible bonds or share options were issued by the Parent Company.

Income and information on the shares used for the purpose of calculating consolidated basic earnings per share are shown below:

	For the year ended	
	31 December 2019	**31 December 2018**
Net profit attributable to shareholders (in thousands of Euro)	3,285	15,734
Number of ordinary shares (excluding own shares) for the purpose of basic earnings per share	109,149,600	109,149,600
BASIC AND DILUTED EARNINGS PER SHARE (IN EURO)	**0.030**	**0.144**

	For the year ended	
	31 December 2019	**31 December 2018**
Net earnings from continuing operations (in thousands of Euro)	3,350	15,843
Net profit /(loss) from continuing operations pertaining to minority interests (in thousands of Euro)	(65)	(109)
Net profit from continuing operations pertaining to the Group (in thousands of Euro)	3,285	15,734
Number of ordinary shares for the purpose of basic earnings per share	109,149,600	109,149,600
BASIC AND DILUTED EARNINGS PER SHARE OF CONTINUING OPERATIONS (IN EURO)	**0.030**	**0.144**

No other transactions were performed regarding ordinary shares or potential ordinary shares between the balance sheet date and the date the financial statements were drafted.

Dividends

On 17 December 2019, the Parent Company approved the distribution of a dividend of € 13 million to the sole shareholder Manutencoop Società Cooperativa, which was paid on 31 January 2020.

34. OPERATING SEGMENTS

The services provided by the Rekeep Group can be divided into two primary areas of business, which coincide with the Strategic Business Units (SBU) where business is channelled. The latter is not affected by significant seasonality factors.

The SBUs identified coincide with the CGUs where the Group's activities are conducted. See note 6 for details.

Information on the operating segments for the financial year ended 31 December 2019

	Facility Management	Laundering & Sterilization	Eliminations	Total
Segment revenues	873,715	135,886	(2,519)	1,007,082
Segment costs	(829,748)	(120,366)	2,519	(947,596)
Operating income (loss) by segment	**43,966**	**15,520**	**0**	**59,486**
Share of net profit of associates	(362)	270	0	(92)
Net financial income (costs)				(41,089)
Profit (loss) before taxes				**18,306**
Income taxes				(14,956)
NET PROFIT (LOSS) FOR THE YEAR ENDED 31 DECEMBER 2019				**3,350**

	Facility Management	Laundering & Sterilization	Eliminations	Total
Assets allocated to the segment	491,170	115,998	(2,318)	604,849
Goodwill	373,969	13,809		387,778
Investments	9,622	5,711		15,333
Assets held for sale	70,500			70,500
Other assets not allocated and related taxes				229,368
SEGMENT ASSETS AT 31 DECEMBER 2019	**945,261**	**135,518**	**(2,318)**	**1,307,829**
Liabilities allocated to the segment	586,428	58,580	(2,318)	642,691
Liabilities held for sale	26,851			26,851
Other liabilities not allocated and related taxes				485,483
SEGMENT LIABILITIES AT 31 DECEMBER 2019	**613,279**	**58,580**	**(2,318)**	**1,155,025**

	Facility management	Laundering & Sterilization	Total
OTHER SEGMENT INFORMATION AT 31 DECEMBER 2018			
Investments in segment assets	20,717	19,813	**40,530**
Amortization/depreciation and write-downs of segment assets	**20,839**	**16,949**	**37,789**

Information on the operating segments for the financial year ended 31 December 2018

	Facility management	Laundering & Sterilization	Eliminations	Total
Segment revenues	824,966	127,443	(2,527)	949,882
Segment costs	(782,854)	(113,805)	2,527	(894,133)
Operating income (loss) by segment	**42,112**	**13,637**	**0**	**55,749**
Share of net profit of associates	1,122	344		1,466
Net financial income (costs)				(32,946)
Profit (loss) before taxes				**24,269**
Income taxes				(8,426)
NET PROFIT (LOSS) FOR THE YEAR ENDED 31 DECEMBER 2018				**15,843**

	Facility management	Laundering & Sterilization	Eliminations	Total
Assets allocated to the segment	436,243	112,422	(1,385)	547,280
Goodwill	393,812	13,810		407,622
Investments	18,465	5,647		24,112
Other assets not allocated and related taxes				138,500
SEGMENT ASSETS AT 31 DECEMBER 2018	**848,520**	**131,878**	**(1,385)**	**1,117,513**

	Facility management	Laundering & Sterilization	Eliminations	Total
Liabilities allocated to the segment	480,478	57,737	(1,385)	536,830
Other liabilities not allocated and related taxes				415,191
SEGMENT LIABILITIES AT 31 DECEMBER 2018	**480,478**	**57,737**	**(1,385)**	**952,020**

	Facility management	Laundering & Sterilization	Total
OTHER SEGMENT INFORMATION AT 31 DECEMBER 2018			
Investments in segment assets	13,818	18,209	**32,027**
Amortization/depreciation and write-downs of segment assets	13,336	17,785	**31,122**

35. COMMITMENTS AND GUARANTEES

The Group has commitments in place which arise from the execution of finance and operating lease agreements.

Specifically, the Group signed finance lease agreements primarily for plant and equipment used in the production processes of the *Laundering & Sterilization* SBU and for motor vehicles. Moreover, during 2017 a property lease agreement was signed by subsidiary Servizi Ospedalieri S.p.A. to acquire the factory in Lucca, while the acquisitions of EOS and Medical Device S.r.l., during 2018 and the acquisition of Emmetek and Naprzód in 2019 contributed additional leases for capital goods and for the use of a property.

In 2019, the Group furthermore reported, according to the new accounting method required by IFRS 16, which became applicable from 1 January 2019, the operating leases arising from signing property lease agreements for the Group's offices, long-term hire contracts for the corporate fleets of the Group companies and hiring contracts for equipment used in the performance of some work contracts.

The tables below report the amount of future lease payments arising from finance leases and the present value of these fees at 31 December 2019 and 31 December 2018:

	31 December 2019			
	Finance Lease		Operating Lease	
	Rental fees	Present value of rental fees	Rental fees	Present value of rental fees
Within one year	1,935	1,451	7,881	6,086
From one year to five years	3,730	3,114	26,079	21,157
After five years	1,846	1,288	17,524	15,676
TOTAL LEASE FEES	**7,512**	**5,853**	**51,484**	**42,920**
Financial costs	(1,659)		(8,564)	
PRESENT VALUE OF LEASE FEES	**5,853**	**5,853**	**42,920**	**42,920**

	31 December 2018	
	Rental fees	Present value of rental fees
Within one year	497	387
From one year to five years	1,735	1,668
After five years	2,132	1,523
TOTAL LEASE FEES	**4,364**	**3,577**
Financial costs	(786)	
PRESENT VALUE OF LEASE FEES	**3,577**	**3,577**

At 31 December 2019 the Group granted sureties to third parties for:

- guarantees against financial obligations amounting to € 21,680 thousand (€ 18,909 thousand compared to 31 December 2018), of which € 3,099 thousand issued in the interest of associates for bank overdrafts and other financial obligations (€ 3,504 thousand at 31 December 2018);
- sureties granted to third parties to ensure the correct fulfilment of contract obligations in place with customers amounting to € 306,134 thousand (31 December 2018: € 281,594 thousand), of which € 251 thousand issued in the interest of associates;
- other guarantees granted by third parties in favour of associates, joint ventures and other equity investments for € 12,545 thousand (€ 12,305 thousand at 31 December 2018);
- other guarantees granted to third parties to replace security deposits required to activate utilities or to execute lease agreements, as well as for VAT refunds from Inland Revenue Agency, for a total amount of € 25,316 thousand (31 December 2018: € 25,551 thousand).

Guarantees arising from the Senior Secured Notes bond issue launched by CMF S.p.A. in 2017 and from the Super Senior Revolving loan agreement with Unicredit Bank A.G.

CMF S.p.A., which was established by Parent Company Manutencoop Società Cooperativa in 2017, launched a Senior Secured Notes bond issue in 2017, due 2022. On 29 June 2017 CMF also signed, as the Parent Company, a Super Senior Revolving loan agreement for € 50 million, governed by English law, to which Rekeep S.p.A. became a party as Borrower.

CMF S.p.A. was merged by incorporation into Rekeep S.p.A. with statutory, accounting and tax effects from 1 July 2018, applying the provisions laid down in the Indenture signed on 13 October 2017. After the merger, the indirect subsidiary Servizi Ospedalieri S.p.A. may also access the revolving credit facility, providing a specific personal security.

The payment obligations connected to both the Bond Issue and the Super Senior Revolving (RCF) facility are backed, following the above-mentioned merger, by the following collateral provided:

- a first-degree pledge over the total shares of Rekeep S.p.A., paid by the controlling company Manutencoop Società Cooperativa;
- a pledge over the total shares of Servizi Ospedalieri S.p.A;
- an assignment, by way of security, involving receivables held by Rekeep S.p.A., arising from intercompany loans granted by it to some of its subsidiaries.

The Parent Company Rekeep S.p.A. has also provided, in favour of the subscribers of the Super Senior Revolving facility only, a special lien pursuant to Article 46 of Legislative Decree 385 of 1 September 1993 on some of the personal properties held by it.

The guarantees listed above may be called by the counterparties only in the case that one of the events of default envisaged in the abovementioned contracts occurs; up to the occurrence of the same, the assets covered by the guarantee are fully available to the Group. At 31 December 2019 no events of default had occurred.

36. TRANSACTIONS WITH RELATED PARTIES

Related party transactions were performed under normal market conditions, i.e. in line with conditions that would be applied between aware and independent parties. Market prices are applied to both commercial and financial transactions.

Non-interest bearing loans are only disbursed in the case of pro-quota financing granted by syndicated shareholders to consortium companies. These loans were, however, discounted in the financial statements of the Parent Company Rekeep S.p.A..

The Parent Company not only provides technical-production services relating to the core business, but also administrative and IT services for certain Group companies. The Parent Company also has some administrative and lease service contracts in place with its parent company Manutencoop Società Cooperativa.

The main contracts in place with other Rekeep group companies, controlled by Manutencoop Società Cooperativa, with the latter and its subsidiaries, are shown below:

- Manutencoop Cooperativa sub-leased to Rekeep S.p.A. the part of the property located in Zola Predosa, via Poli no. 4 (BO), for office use. The lease is tacitly renewable, except in the event of termination by one of the parties. Annual rent is expected to be € 1,343 thousand to be paid in monthly instalments;
- Manutencoop Società Cooperativa also leased to Sicura S.r.l. the property located in Vicenza (VI), at via Zamenhof no. 363, for use as offices/warehouse. The duration of the lease has a 6-year term and is tacitly renewable, except in the event of termination by one of the parties. Annual rent is expected to be € 372 thousand, to be paid in monthly instalments;
- Manutencoop Società Cooperativa leased to Rekeep S.p.A. the part of the property located in Mestre (VE), via Porto di Cavergnago no. 6, for office use. Annual rent is expected to be € 324 thousand, to be paid in 12 monthly instalments;
- On 6 July 2007, Rekeep S.p.A. signed a framework agreement with its parent company, Manutencoop Società Cooperativa, in order to regulate the essential contents of subsequent personnel leases from Manutencoop Società Cooperativa to Rekeep S.p.A. pursuant to Title III, Chapter I of Legislative Decree 276/2003. The contract has a five-year term, and is tacitly renewed, unless terminated by one of the parties. As a result of said agreement, which has the legal nature of a legislative contract that does not grant rights to third parties, Rekeep S.p.A. and the parent company Manutencoop Società Cooperativa set out the conditions that regulate any future contracts for the leasing of shareholding personnel of Manutencoop Società Cooperativa, and the operating rules for establishing and terminating said contracts;
- Manutencoop Società Cooperativa is committed, on the basis of contracts stipulated with the individual companies of the Rekeep Group, to preparing pay packets;
- Rekeep S.p.A. signed agreements with Manutencoop Società Cooperativa and other Group companies for the provision of tax consultancy services.

The breakdown of the balances relating to the transactions carried out by the Group's Companies with related parties is provided in Annex III attached to the Consolidated Financial Statements.

The Rekeep Group is subject to the management and coordination activities of Manutencoop Società Cooperativa.

Pursuant to art. 2497-*bis*, paragraph 4 of the Italian Civil Code, the highlights of the latest set of approved financial statements are provided below:

(in thousands of Euro)	**31 December 2018**	**31 December 2017**
BALANCE SHEET		
ASSETS		
A) Subscribed capital unpaid	69	76
B) Fixed assets	321,247	329,439
C) Current assets	22,688	28,590
D) Accrued income and prepaid expenses	1,109	1,360
TOTAL ASSETS	**345,113**	**359,465**

(in thousands of Euro)	**31 December 2018**	**31 December 2017**
LIABILITIES		
A) Shareholders' equity:		
Share capital	5,713	5,950
Reserves	280,839	176,429
Profit/(Loss) for the year	(3,102)	107,639
B) Provisions for risks and charges	148	280
C) Employee Severance Indemnity	1,280	1,361
D) Payables	59,594	67,109
E) Accrued expenses and deferred income	642	697
TOTAL LIABILITIES	**345,114**	**359,465**
INCOME STATEMENT		
A) Value of production	30,658	36,149
B) Costs of production	(29,797)	(38,370)
C) Financial income and costs	(3,828)	97,369
D) Value adjustments to financial assets	(697)	(2,610)
Income taxes for the year	561	15,100
PROFIT/(LOSS) FOR THE YEAR	**3,102**	**107,639**

Remuneration of members of the Governing and Control Bodies, as well as of other executives with strategic responsibilities

Fees paid to members of governing and control bodies reported below include the total fees paid to the members of these corporate bodies in 2019, as well as those paid to executives with strategic responsibilities in the Parent Company, including for roles held in other Group companies:

	31 December 2019	**31 December 2018**
Board of Directors		
Short-term benefits	416	397
Post-employment benefits	0	0
TOTAL BOARD OF DIRECTORS	**416**	**397**
Executives with strategic responsibilities		
Short-term benefits	3,254	3,941
Post-employment benefits	136	128
TOTAL EXECUTIVES WITH STRATEGIC RESPONSIBILITIES	**3,389**	**4,069**
Board of Statutory Auditors		
Short-term benefits	133	135
TOTAL BOARD OF STATUTORY AUDITORS	**133**	**135**

The table below reports the fees accounted for in the 2019 consolidated income statement for audit and non-audit services rendered by EY S.p.A. and by other entities in its network:

	31 December 2019	31 December 2018
Audit services	567	644
Certification services	27	130
Other services	140	529
TOTAL FEES DUE TO EY S.p.A. NETWORK COMPANIES	**734**	**1,303**

Audit services include the fees paid for the audit of annual and interim consolidated financial statements, as well as of the separate Financial Statements of the Parent Company and of some subsidiaries.

Certification services relate to the fees paid for the issue of tax compliance certificates and the engagements for performance of agreed-upon procedures.

Other services concerned advice services concerning the start-up of the Group's foreign operations.

37. MANAGEMENT OF FINANCIAL RISKS

Management of financial requirements and the relative risks (mainly interest rate and liquidity risk) is performed centrally by the Group's finance function on the basis of guidelines approved by the Parent Company's Board of Directors which are reviewed periodically. The main objective of these guidelines is to guarantee the presence of a liability structure that is balanced with the composition of the balance sheet assets, in order to maintain a high level of capital strength.

During the last quarter of the 2017 financial year the parent company Manutencoop Società Cooperativa carried out a corporate reorganisation and refinancing of the entire Manutencoop Group. The corporate reorganisation involved the transfer of the shares held by Manutencoop Società Cooperativa in the Parent Company Rekeep S.p.A. to a newly-established corporate SPV named CMF S.p.A., which is now the direct Parent Company of Rekeep S.p.A. itself. Specifically, CMF S.p.A. was established for the launch of a Senior Secured bond issue aimed at repurchasing the Notes already issued by the Parent Company Rekeep S.p.A. in 2013, as well as at purchasing the shares held by the minority interests in the share capital of the Parent Company Rekeep S.p.A. and repaying the other financial debt of the entire Group controlled by Manutencoop Società Cooperativa.

Therefore, on 6 July 2017, CMF S.p.A. launched a high-yield bond issue named "*€360,000,000 9.0% Senior Secured Notes due 2022*", which is not convertible and not subordinated, for a total amount on account of principal of € 360 million and due 15 June 2022. The Notes, which were reserved for institutional investors and were listed on the Euro MTF segment managed by the Luxembourg Stock Exchange, as well as on the Extra MOT, Pro Segment, of Borsa Italiana, were issued at a price equal to 98%

and a coupon at a fixed rate of 9.0% p.a., payable on a six-monthly basis. The terms and conditions referred to in the rules of the Bond Issue are laid down in the Indenture, which is governed by the law of the State of New York. On the same date Rekeep S.p.A. received from CMF S.p.A. a Proceeds Loan amounting to € 190,300 thousand, subsequently partially repaid, which allowed it, at the same time as the use of a portion of its own Cash and cash equivalents, to have sufficient liquidity to proceed with an early redemption of the Notes issued in 2013.

At the same time, using the remaining portion of cash acquired through the subscription of the Notes, CMF S.p.A. completed the acquisition of the shares held by Institutional Investors in the share capital of Rekeep S.p.A. (equal to 33.2%), thus becoming the sole shareholder of Rekeep S.p.A..

After having attained the set objectives, as required by the Offering Memorandum for the bond issue, on 1 July 2018 the Group completed the merger of CMF S.p.A. by incorporation into its subsidiary Rekeep S.p.A., according to Article 2501-*bis* (merger with debt). The merger entailed the acquisition, directly by Rekeep S.p.A., of the high-yield bond issue named "€360,000,000 9.0% Senior Secured Notes due 2022", which is not convertible and not subordinated, for an overall amount of principal of € 360 million, due 15 June 2022. At the same time, the Proceeds Loan granted by CMF S.p.A. to Rekeep S.p.A. was paid off.

The other financial instruments that are traditionally used by the Group Companies are made up of:

- short-term loans and revolving non-recourse and recourse factoring transactions targeted at funding working capital;
- very short-term credit facilities used for contingent cash requirements;
- medium/long-term loans with a multi-year repayment plan to cover investments in fixed assets and acquisitions of companies and business units.

The Group also uses trade payables deriving from operations as financial instruments. The Group's policy is not to trade financial instruments.

The Group's financial instruments were classed into three levels provided by IFRS 7. In particular, the fair value hierarchy is defined in the following levels:

- Level 1: corresponds to prices of similar liabilities and assets listed on active markets.
- Level 2: corresponds to prices calculated through features taken from observable market data.
- Level 3: corresponds to prices calculated through other features that are different from observable market data.

The table below shows the hierarchy for each class of financial asset measured at fair value at 31 December 2019 and 31 December 2018:

				Hierarchy				Hierarchy
	31 December 2019	**Level 1**	**Level 2**	**Level 3**	**31 December 2018**	**Level 1**	**Level 2**	**Level 3**
Financial assets at fair value through profit or loss								
Financial receivables, securities and other non-current financial assets	101	101			**101**	101		
- of which securities	101	101			**101**	101		
Available-for-sale financial assets								
Financial receivables and other current financial assets	**0**	0			**179**	179		
- of which securities					**179**	179		
- of which hedging derivatives					**0**	0		
- of which non-hedging derivatives					**0**	0		
TOTAL FINANCIAL ASSETS	**101**	**101**			**280**	**280**		

The other financial assets posted in the Statement of financial position are not measured at fair value and the Group has no financial liabilities measured at fair value at 31 December 2019 and 31 December 2018. During the period under consideration there were no transfers between fair value measurement levels.

There were no changes in allocation of financial assets that led to a different classification of asset. The Group does not hold instruments to warrant amounts receivable to mitigate credit risk. The carrying amount of financial assets, therefore, represents its potential credit risk.

Classes of financial assets and liabilities

The following table shows the classification of financial assets and liabilities recorded in the consolidated Financial Statements of the Rekeep Group, as required by IFRS 7, and the associated economic effects for the year ended 31 December 2019:

	31 December 2019	Financial Assets at Fair value through OCI	Financial Assets at amortized cost
NON-CURRENT FINANCIAL ASSETS			
Other investments	4,957	4,957	
Non-current financial assets	4,819		4,819
Other non-current assets	97,801		97,801
Total non-current financial assets	**107,577**	**4,957**	**102,620**
CURRENT FINANCIAL ASSETS			
Trade receivables and advances to suppliers	412,572		412,572
Current tax receivables	10,090		10,090
Other current assets	31,054		31,054
Current financial assets	4,819		4,819
Cash and cash equivalents	97,143		
Total current financial assets	**555,678**	**0**	**458,535**
TOTAL FINANCIAL ASSETS	**663,255**	**4,957**	**561,155**
FINANCIAL INCOME (COSTS)	**4,136**	**340**	**3,796**

	31 December 2019	Financial Liabilities at Fair Value through profit or loss	Financial Liabilities at amortized cost
NON-CURRENT FINANCIAL LIABILITIES			
Non-current loans	396,759		396,759
Financial liabilities for non-current derivatives	0		0
Other non-current liabilities	551		551
Total non-current financial liabilities	**397,310**	**0**	**397,310**
CURRENT FINANCIAL LIABILITIES			
Trade payables and contractual liabilities	405,950		405,950
Current tax payables	1,280		1,280
Other current liabilities	192,465		192,465
Bank borrowings and other financial liabilities	71,830		71,830
Total current financial liabilities	**671,525**	**0**	**671,525**
TOTAL FINANCIAL LIABILITIES	**1,068,835**	**0**	**1,068,835**
FINANCIAL INCOME (COSTS)	**(48,965)**	**0**	**(48,965)**

The same information for the year ended 31 December 2018 is shown below:

	31 December 2018	Financial Assets at Fair value through OCI	Financial Assets at amortized cost
NON-CURRENT FINANCIAL ASSETS			
Other investments	4,905	4,905	
Non-current financial assets	5,662		5,662
Other non-current assets	2,897		2,897
Total non-current financial assets	**13,464**	**4,905**	**8,559**
CURRENT FINANCIAL ASSETS			
Trade receivables and advances to suppliers	417,930		417,930
Current tax receivables	14,658		14,658
Other current assets	22,320		22,320
Current financial assets	5,532		5,532
Cash and cash equivalents	94,733		
Total current financial assets	**555,173**	**0**	**460,440**
TOTAL FINANCIAL ASSETS	**568,637**	**4,905**	**468,999**
FINANCIAL INCOME (COSTS)	**754**	**(843)**	**1,597**

	31 December 2018	Financial Liabilities at Fair Value through profit or loss	Financial Liabilities at amortized cost
NON-CURRENT FINANCIAL LIABILITIES			
Non-current loans	361,687		361,687
Financial liabilities for non-current derivatives	0		0
Other non-current liabilities	660		660
Total non-current financial liabilities	**362,347**	**0**	**362,347**
CURRENT FINANCIAL LIABILITIES			
Trade payables and contractual liabilities	399,602		399,602
Current tax payables	954		954
Other current liabilities	90,360		90,360

	31 December 2018	Financial Liabilities at Fair Value through profit or loss	Financial Liabilities at amortized cost
Bank borrowings and other financial liabilities	37,366		37,366
Total current financial liabilities	**528,282**	**0**	**528,282**
TOTAL FINANCIAL LIABILITIES	**890,629**	**0**	**890,629**
FINANCIAL INCOME (COSTS)	**(36,565)**	**0**	**(36,565)**

Liquidity risk

The Group's objective is to maintain a balance between funding and flexibility through the use of current account overdrafts, short-term bank loans (hot money and advances), finance leases and medium/long-term loans.

The Group is characterised by a labour-intensive model which does not involve significant requirements of capital for investments. However, the Group's customers are mainly composed of public authorities, known for long payment times in respect of the services provided. This aspect means the Group has to also finance working capital through bank indebtedness.

For this purpose the Group may make use of committed credit lines in the form of loans or of assignments without recourse of trade receivables in order to meet financial requirements (if any).

Within the context of the abovementioned refinancing transaction, CMF S.p.A. also signed a Super Senior Revolving (RCF) loan agreement for a total amount of € 50 million, governed by English law, transferred to Rekeep S.p.A. following the above-mentioned reverse merger. Specifically, the Super Senior Revolving Loan agreement was entered into between, among others, CMF S.p.A., on the one hand, and J.P. Morgan Limited and UniCredit S.p.A., which act as Mandated Lead Arrangers, UniCredit Bank AG, Milan Branch, as Agent and Security Agent, and the Original Lenders, on the other hand. After the merger, the indirect subsidiary Servizi Ospedalieri S.p.A. may also access the revolving credit facility, providing a specific personal security. No amount arising from uses under the Super Senior Revolving Loan Agreement may be used, directly or indirectly, in order to, among other things, proceed with the repurchase or redemption of the Bond Issue or the purchase of shares in Rekeep S.p.A.. The RCF line, which had not yet been used at the reporting date, is an important cash elasticity tool that can be activated on demand within a limited number of business days.

Finally, on 14 November 2017 the Parent Company signed a new loan agreement with CCFS for a total amount of € 10 million. The loan includes two lines of credit, the first of which, amounting to € 5,000 thousand, was disbursed at the same time as the execution and will expire in April 2023. The second 66-month line of credit, for an additional amount of € 5,000 thousand, was disbursed on 13 February 2018, after the end of the financial year and provides for the repayment in six-monthly instalments, with a pre-amortization period of 12 months.

The Group's management believes that the structure of the financial debt maturity, as well as the availability of the abovementioned committed credit lines, allow the Group to meet its financial requirements in an adequate manner.

Price risk

Risks of this nature which the Group is exposed to could involve changes in the price:

- of oil products relating to heat management activities,
- of cotton, the raw material in the linen used for laundering activities.

However, concerning oil products, these changes are, for the most part, accommodated by the conditions of contracts in place with customers, given that price revision is provided for both by contract, and by art. 115 of Decree Law no. 163 of 12 April 2006. Therefore, it is deemed that the effect on the Group's profit for the year arising from changes in prices, even significant, would essentially have been insignificant, in terms of amount.

Credit risk

The Group's portfolio mix, which, in the past, was made up mainly of contracts with the Public Administration, a situation that did not present insolvency problems, but which required constant contact with customers in order to minimise delays caused by the Authority's red-tape and jointly resolve problems relating to their financial management.

At present the portfolio mix also includes some large Italian industrial and banking groups, mainly organised as a network all over the country.

There are no significant credit concentration risks to report, which are carefully monitored by the Group. Furthermore, given the continuing economic downturn, the Group has equipped itself with specific procedures and structures aimed at a more efficient management of its working capital, as well as of debt collection.

Fair value

The carrying amount of the Group's financial instruments recorded in the Consolidated Financial Statements does not deviate from the fair value, including the value of those classified as assets held for sale. Market interest rates were applied to financial assets and liabilities as at the balance sheet date.

The comparison between the carrying amount and fair value of the main financial assets and liabilities is shown below:

	Carrying Amount		Fair value	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
FINANCIAL ASSETS				
Cash and cash equivalents	97,143	94,733	97,143	94,733
Receivables and other current financial assets	4,819	5,532	4,819	5,532
Other minority interests	4,957	4,905	4,957	4,905
Non-current financial receivables	4,819	5,662	4,819	5,662

	Carrying Amount		Fair value	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
FINANCIAL LIABILITIES				
Loans:				
- Variable rate loans	15,247	7,728	15,247	7,728
- Fixed rate loans	390,480	387,243	390,480	387,243
Other current financial liabilities	62,862	4,082	62,862	4,082

Interest rate risk

With the refinancing transaction carried out through CMF S.p.A., the Group has requalified its own financial structure, extending the maturity of the medium/long-term debt and keeping a short-term debt portion balanced with respect to the financing requirements of its working capital.

The main source of financing of the Rekeep Group consists of the Senior Security Notes bond issue with a coupon at a fixed rate of 9% following the merger of CMF S.p.A. by incorporation into Rekeep S.p.A. on 1 July 2018.

In addition to the bond issue the Group uses, as medium/long-term financing, bank loans subject to the application of fixed interest rates and finance lease agreements subject to the application of variable interest rates.

The forms of short-term financing used by the Group, which are mainly subject to the application of variable rates which can be identified as the EURIBOR rate, include current account overdrafts, short- and very short-term (hot money) bank loans and assignments of receivables.

The Group's indebtedness mix is then mainly linked to medium/long-term fixed interest rates.

The breakdown of financial instruments of the Group exposed to interest rate risks is listed in note 16, to which reference should be made as regards Loans, and in notes 8 and 11 to which reference should be made as regards *Non-current financial assets and Cash and cash equivalents*, *Receivables and other current financial assets,* respectively.

Interest rate sensitivity analysis

The structure of the consolidated debt is affected, to a marginal extent, by the changes in market rates, as it is mainly based on forms of financing subject to the payment of interest calculated on the basis of fixed rates, as described above. For the remaining amount, the Group makes recourse to variable rate loans, which are linked to the EURIBOR performance.

The table below shows the sensitivity of pre-tax profit for the year to reasonably possible variations in interest rates, all the other variables being kept constant.

	Increase / Decrease	Effect of the profit (loss), gross of taxes
Financial year ended 31 December 2019	+ 150 bps	(635)
	- 30 bps	127
Financial year ended 31 December 2018	+ 150 bps	(1,190)
	- 30 bps	238

The sensitivity analysis confirms the rigidity of the financial structure adopted by the Rekeep Group, which is mainly based on medium/long-term fixed-rate loans, as already detailed above.

Exchange rate risk

The Group's international footprint is still marginal compared to its overall operations: therefore the Group is not exposed to significant exchange rate risks.

Capital management

The key objective of the Group's capital management is to guarantee that a solid credit rating is maintained as well as adequate capital ratios to support operations and to maximise value for shareholders.

The Group manages the capital structure and amends it on the basis of changes in economic conditions. In order to maintain or adjust the capital structure, the Group can adjust the dividends paid to shareholders, repay principal or issue new shares.

The Group checks its debt ratio, by assessing the ratio of net debt to the total of own equity and net debt: interest-bearing loans, trade payables, other payables and provisions for employee severance indemnity net of cash and cash equivalents.

	31 December 2019	31 December 2018
Employee termination indemnity	12,443	14,730
Interest-bearing loans	405,727	394,971
Trade payables and contract liabilities	405,950	399,602
Other current payables	192,465	90,360
Other current financial payables	62,862	4,082
Cash and cash equivalents	(97,143)	(94,733)
Other current financial assets	(4,819)	(5,532)
Total Net Debt	**977,485**	**803,480**
Group shareholders' equity	151,970	164,824
Undistributed net profit (loss)	(3,285)	(15,734)

	31 December 2019	31 December 2018
Total Capital	**148,685**	**149,090**
EQUITY AND NET DEBT	**1,126,170**	**952,570**
INDEBTEDNESS RATIO	**86.8%**	**84.3%**

An increase was recognized in the debt ratio compared to the value at 31 December 2018 following an increase in net debt, which was due to, among others, the recognition of the financial liability for operating leases (following the adoption of the new accounting standard IFRS 16) which amounted to € 42,920 thousand at 31 December 2019, and to higher current payables due to the recognition of liabilities relating to the notice of payment of the deposit requested within the dispute relating to the FM4 Tender. This change was accompanied by a simultaneous decrease in the capital, following the distribution of reserves to the sole shareholder made by the Parent Company (€ 13,000 thousand).

38. OTHER INFORMATION

In 2019 some Group companies received financial benefits from Public Authorities or entities treated as such as referred to in Law no. 124 of 4 August 2017 bearing "*Annual Act on market and competition".*

Specifically, during the 2019 financial year the Parent Company Rekeep S.p.A. and its subsidiary Telepost S.p.A. achieved tax credits on R&D projects which meet the requirements provided for in Law no. 190 of 23 December 2014 (Article 1, paragraph 35), partly amended by Law no. 232 of 11 December 2016 (Article 1, paragraphs 15 and 16), as detailed in note 21 above.

Furthermore, the Parent Company Rekeep S.p.A. and Medical Device S.r.l. entered into soft loans named "Artigiancassa Loan" and "Sabatini Loan", respectively, as described in note 16 above.

Finally, additional financial benefits were obtained for a lower amount, for which reference should be made to the information provided in the "Register of State Aids" published on-line.

39. SUBSEQUENT EVENTS

On 13 February 2020 the binding agreement was signed for the sale of the total share capital of Sicura S.p.A. to Argos Wityu, a pan-European Private Equity fund. The transfer of the investment was executed on 28 February 2020 for a consideration equal to € 55,041 thousand. On the same date, Rekeep S.p.A. acquired 5.96% of EULIQ VII S.A., a company with registered office in Luxembourg, which directly controls AED S.r.l, with the aim to maintain an industrial partnership with the group controlled by Sicura S.p.A..

This sale is a part of the Rekeep Group's strategy of focusing on its core business, which also includes the sale of non-strategic assets so that financial resources are released for the implementation of the Business Plan, one of whose priority activities is business development in foreign markets.

As of the date of the preparation of the Consolidated Financial Statements, an international health emergency is in progress deriving from the widening of the Coronavirus (COVID-19) epidemic, which started in China and spread at the end of February 2020 to Europe, including Italy, the country of the Company's head office and one of those most affected by the diffusion of COVID-19.

Rekeep S.p.A. and the Group it controls, in compliance with the urgent legislative measures taken by the Italian Government and the instructions given by the Italian Ministry of Health and the Regions involved, have taken preventive measures and issued operating instructions to contain the spreading of the virus and safeguard the users of its services, its workers, its customers and its potential visitors. The Company and Group Management staff members monitor the situation continuously so that they can take all the decisions in real time that are necessary to protect the health of the persons they are involved with on any basis.

As matters stand at present, it is not possible to make a reliable estimate of the impacts of this emergency.

More than 50% of the Group's activities consist of the provision of essential healthcare services. In the present emergency scenario, both the parent company Rekeep S.p.A. and its subsidiary Servizi Ospedalieri have received and are receiving requests for extra services and supplies such as extraordinary sanitisation and cleaning, fitting out hospital wards, other extraordinary maintenance work, additional bed linen and clothing and other equipment for healthcare personnel. The Group companies involved are continuing to deliver their services at full working capacity where requested, adopting all the preventive measures necessary to safeguard employees, healthcare personnel and users. These measures entail the additional cost of purchasing medical devices and specialist products.

On the other hand there is a partial reduction in activity in the private domestic market and in the sector of Public non-health Entities owing to the partial or total closure of offices, schools, museums, transport and commercial businesses.

The Management is monitoring the situation constantly and adopting all the possible solutions to limit costs, including through use of the incentives and social shock absorber measures provided by the Government.

On the basis of the action taken to deal with the present situation so far and the information to hand regarding the prolongation of the emergency measures taken by the Italian Government (and by the governments of the foreign countries in which the Group operates), as of the date of the preparation of this report, we do not believe that the effects of the COVID-19 emergency on the

results for the 2020 financial year will be so substantial as to prevent the Company and the Group from obtaining positive results at the end of the year.

Zola Predosa, 24 March 2020

The Chairman and CEO

Giuliano Di Bernardo

ANNEX I

GROUP COMPANIES

PARENT COMPANY

	Currency	Registered Office	City
Rekeep S.p.A.	Euro	Via Ubaldo Poli n. 4	Zola Predosa (BO)

SUBSIDIARIES CONSOLIDATED ON A LINE-BY-LINE BASIS

Name	Registered Office	City	% Held	Currency
Bologna Strade Soc. Cons. a r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	54.37%	Euro
Catermed S.A.	ul. Traktorowa no. 126/201, 91-204	Łódź (Poland)	64.2%	PLN
CO.GE.F. Soc. Cons. a r.l	Via Ubaldo Poli no. 4	Zola Predosa (BO)	80%	Euro
Consorzio Igiene Ospedaliera Soc. Cons. a r.l	Via Ubaldo Poli no. 4	Zola Predosa (BO)	66.66%	Euro
Consorzio Servizi Toscana Soc. Cons. a r.l	Via Ubaldo Poli no. 4	Zola Predosa (BO)	60%	Euro
Consorzio Stabile CMF	Via Ubaldo Poli no. 4	Zola Predosa (BO)	99%	Euro
Emmetek S.r.l.	Via Asiago no. 77/9	Cassola (VI)	100%	Euro
Evimed S.r.l.	Via Zamenhof no. 363	Vicenza	100%	Euro
Energy Saving Valsamoggia S.r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	63%	Euro
EOS Hijyen Tesis Hizmetleri Saglik Insaat Servis Muhendislik A.S.	Üniversiteler Mahallesi, Bilkent Plaza, A3 Blok, no. 4	Çankaya/ Ankara	51%	TRY
Ferraria Soc. cons. a r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	69%	Euro
Global Oltremare Soc.Cons. a r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	60%	Euro
H2H Facility Solutions S.p.A.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	100%	Euro
H2H Cleaning S.r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	100%	Euro
ISOM Lavori Soc.Cons. a r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	62.71%	Euro
ISOM Gestione Soc.Cons. a r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	52.97%	Euro
IZAN+ sp. z o.o.	ul. Żabiniec no. 46, 31-215	Krakow (Poland)	100%	PLN
JOL-MARK sp. z o.o.	ul. Portowa no. 16G, 44-100	Gliwice (Poland)	100%	PLN
KANARIND Soc.Cons. a r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	62.43%	Euro
Kolumna Transportu Sanitarnego Triomed sp. z o.o.	ul. Północna no. 22, 20-064	Lublin (Poland)	80%	PLN
Logistica Sud Est Soc.Cons. a r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	60%	Euro

Name	Registered Office	City	% Held	Currency
Manutencoop International Services LLC	Qatar Tower, building 35, street 920, zone 63	Doha (Qatar)	49%	QAR
Manutencoop Transport S.a.S.	4 place Louis Armand-Tour de l'Horloge	Paris	100%	Euro
MCF servizi Integrati Soc.Cons. a r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	60%	Euro
Medical Device S.r.l.	Via della Tecnica .52	Montevarchi (AR)	60%	Euro
MSE Soc. Cons. a r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	100%	Euro
Naprzód S.A.	ul. Żabiniec no. 46, 31-215	Krakow (Poland)	80%	PLN
Naprzód Cleaning sp. z o.o.	ul. Żabiniec no. 46, 31-215	Krakow(Poland)	100%	PLN
Naprzód Hospital sp. z o.o.	ul. Żabiniec no. 46, 31-215	Krakow (Poland)	100%	PLN
Naprzód Inwestycje sp. z o.o.	ul. Żabiniec no. 46, 31-215	Krakow(Poland)	100%	PLN
Naprzód IP sp. z o.o.	ul. Żabiniec no. 46, 31-215	Krakow (Poland)	100%	PLN
Naprzód Marketing sp. z o.o.	ul. Żabiniec no. 46, 31-215	Krakow (Poland)	100%	PLN
Naprzód Service sp. z o.o.	ul. Traktorowa n. 126/202, 91-204	Lodz (Poland)	100%	PLN
Palmanova Servizi Energetici Soc.Cons. a r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	60%	Euro
Protec S.r.l.	Via Zamenhof no. 363	Vicenza	100%	Euro
Przedsiębiorstwo Produkcyjno-Handlowo-Usługowe „Postęp" sp. z o.o.	ul. Portowa n.16G, 44-100	Gliwice (Poland)	100%	PLN
Rekeep Arabia for Operations and Maintenance Ltd	P.O Box 230888, Riyadh, 11321, K.S.A., 28th floor, Kingdom tower.	Riyadh (Saudi Arabia)	100%	SAR
Rekeep Digital S.r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	100%	Euro
Rekeep Facility S.a.s.	52, Boulevard de Sebastopol	Paris	100%	Euro
Rekeep France S.a.s.	52, Boulevard de Sebastopol	Paris	70%	Euro
Rekeep Rail S.r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	100%	Euro
Rekeep Saudi Co. Ltd	P.O Box 230888, K.S.A., 28th floor, Kingdom Tower	Riyadh (Saudi Arabia)	100%	SAR
Rekeep United Yönetim Hizmetleri A.Ş.	United Plaza Örnektepe Mh. İmrahor Cd. Sivaseli Sk. 4	Istanbul	50.98%	TRY
Rekeep World S.r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	100%	Euro
S.AN.CO S.c.a.r.l.	Via Aurelio Saffi no. 51	Bologna	100%	Euro
S.AN.GE S.c.a.r.l.	Viale Sarca 336 – Strada Privata Breda – Building 12	Milan	89%	Euro
San Gerardo Servizi Soc.Cons. a r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	60%	Euro
Servizi Brindisi Soc.Cons. a r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	52%	Euro
Servizi Ospedalieri S.p.A.	Via Calvino no. 33	Ferrara	100%	Euro
Servizi Sanitari Sicilia Soc.Cons. a r.l.	Via Calvino no. 33	Ferrara	70%	Euro
Servizi Taranto Soc.Cons. a r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	60.08%	Euro
Sicura S.p.A.	Via Zamenhof no. 363	Vicenza	100%	Euro

Name	Registered Office	City	% Held	Currency
Soluzioni Antincendio S.r.l.	Via Romolo Gessi no.5	Ferrara (FE)	100%	Euro
Telepost S.p.A.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	100%	Euro
Vendi Cleaning sp. z o.o.	ul. Traktorowa n.126/201, 91-204	Lodz (Poland)	100%	PLN
Vendi Marketing sp. z o.o.	ul. Traktorowa no,126, 91-204	Lodz (Poland)	100%	PLN
Vendi Service sp. z o.o.	ul. Traktorowa no.126, 91-204	Lodz (Poland)	100%	PLN
Vendi Servis IP sp. z o.o.	ul. Traktorowa no.126, 91-204	Lodz (Poland)	100%	PLN
Yougenio S.r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	100%	Euro

JOINT VENTURES ACCOUNTED FOR UNDER THE EQUITY METHOD

Name	Registered Office	City	% Held	Currency
AMG S.r.l.	SS Laghi di Avigliana no. 48/a	frazione Roata Raffo Busca (CN)	50%	Euro
CO. & MA. Soc. Cons. a r.l.	Via del Parco no. 16	Tremestieri Etneo (CT)	50%	Euro
DUC Gestione Sede Unica Soc.cons.r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	49%	Euro
Legnago 2001 Soc.cons.r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	50%	Euro
Servizi Sportivi Brindisi Soc.cons.r.l. in liquidation	Via Licio Giorgieri no. 93	Rome	50%	Euro

ASSOCIATES AND OTHER COMPANIES ACCOUNTED FOR UNDER THE EQUITY METHOD

Name	Registered Office	City	% Held	Currency
Alisei S.r.l. in liquidation	Via Cesari no. 68/1	Modena	100%	Euro
Bologna Gestione Patrimonio Soc.Cons. r.l. in liquidation	Via della Cooperazione no. 9	Bologna	27.58%	Euro
BGP2 Soc.Cons. r.l.	Via Giovanni Papini no. 18	Bologna	41.17%	Euro
Bologna Global Strade Soc.Cons. r.l.	Via Pila no. 18	Sasso Marconi (BO)	59.65%	Euro
Bologna Multiservizi Soc.Cons. r.l. in liquidation	Via San Silvestro no. 56	Faenza (RA)	39%	Euro
Bologna Più' Soc.Cons.r.l in liquidation	Via M.E. Lepido no. 182/2	Bologna	25.68%	Euro
Centro Europa Ricerche S.r.l.	Via G. Zanardelli no. 34	Rome	21.38%	Euro
Consorzio Imolese Pulizie Soc. Cons. a r.l in liquidation	Via Poiano no. 22	Imola (BO)	60%	Euro
Como Energia Soc.Cons. r.l. in liquidation	Via Pietro Strazzi no. 2	Como	30%	Euro

Name	Registered Office	City	% Held	Currency
Consorzio Polo Sterilizzazione Integrata a r.l.	Via Facciolati no. 84	Padua	60%	Euro
Consorzio Sermagest Soc.Cons. a r.l. in liquidation	Via Filippo Corridoni no. 23	Rome	60%	Euro
F.lli Bernard S.r.l.	Stradella Aquedotto no. 21	Bari	20%	Euro
Gestione Strade Soc.Cons.a r.l.	Strada Manara no. 64/B	Parma	25%	Euro
Gico System S.r.l.	Via Finelli no. 8	Calderara di Reno (BO)	20%	Euro
Global Provincia Di Rimini Soc.Cons. r.l. in liquidation	Via Ubaldo Poli no. 4	Zola Predosa (BO)	42.40%	Euro
Global Riviera Soc.Cons. a r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	30.66%	Euro
Global Vicenza Soc.Cons. a r.l.	Via Grandi 39	Concordia Sulla Secchia (MO)	41.25%	Euro
Gymnasium Soc.Cons. r.l. in liquidation	Via Ubaldo Poli no. 4	Zola Predosa (BO)	68%	Euro
GR.A.AL. Soc. Cons. a. r.l.	Via Guelfa no. 76	Bologna	29.926%	Euro
Imola Verde e Sostenibile Soc. Cons. a r.l.	Via S. Allende no. 39	Bologna	30%	Euro
Iniziative Produttive Piemontesi S.r.l.	Corso Einaudi no. 18	Turin	24.75%	Euro
Logistica Ospedaliera Soc. Cons. a r.l	Via C. Alberto Dalla Chiesa no. 23/I	Caltanissetta (CL)	45%	Euro
Newco Duc Bologna S.p.A.	Via M.E. Lepido no. 182/2	Bologna	24.90%	Euro
Roma Multiservizi S.p.A.	Via Tiburtina no. 1072	Rome	45.47%	Euro
San Martino 2000 Soc.Cons. a r.l.	Via al Molo Vecchio	Calata Gadda (GE)	40%	Euro
S.E.I. Energia Soc. Cons. a r.l.	Via Emilia no. 65	Palermo (PA)	49%	Euro
Società Consortile Adanti Manutencoop a r.l. in liquidation	Via Ubaldo Poli no. 4	Zola Predosa (BO)	50%	Euro
Serena S.r.l. in liquidation	Via Ubaldo Poli no. 4	Zola Predosa (BO)	50%	Euro
Se.Ste.Ro S.r.l.	Via San Pietro no. 59/B	fraz. Castellina - Soragna (PR)	25%	Euro
Servizi Napoli 5 Soc.Cons. a r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	45%	Euro
Simagest 2 Soc. Cons. a r.l in liquidation	Via Ubaldo Poli no. 4	Zola Predosa (BO)	90%	Euro
Simagest 3 Soc. Cons. a r.l in liquidation	Via Ubaldo Poli no 4	Zola Predosa (BO)	89.99%	Euro
Steril Piemonte Soc.Cons. r.l.	Corso Einaudi no. 18	Turin	25%	Euro
T&M Protection Resources Holdings Italy S.r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	40%	Euro
Tower Soc.Cons. a r.l. in liquidation	Via Zanardi no. 372	Bologna	20.17%	Euro

ANNEX II

VALUTATION OF INVESTMENTS USING THE EQUITY METHOD

	%	Net assets 31 December 2018	Changes for the financial year					Net assets 31 December 2019	Book value	Provision for risks
			Financial effects	Dividends	Revaluations Write-downs	Provision for risks	Effects on shareholders' equity			
Alisei S.r.l. in liquidation	100%	(87)				0		(87)	0	(87)
A.M.G. S.r.l.	50%	2,428		(148)	58			2,338	2,338	
BGP2 Soc.Cons. r.l.	41.47%	24			80			104	104	
Bologna Gestione Patrimonio Soc. Cons. a. r.l. in liquidation	27.58%	0			0			0	0	
Bologna Global Strade Soc. Cons. a. r.l.	60%	56	4		0			60	60	
Bologna Multiservizi Soc. Cons. a r.l.	39%	4	(4)					0	0	
Bologna Più Soc. Cons. a r.l.	25.68%	5						5	5	
Cardarelli Soc. Cons. a r.l. in liquidation	60%	5	(6)		1			0	0	
Centro Europa Ricerche S.r.l.	21.38%	61			6			67	67	
Co. & Ma. Soc. Cons. a r.l.	50%	5						5	5	
Como Energia Soc. Cons. a r.l. in liquidation	30%	11						11	11	
Consorzio Imolese Pulizie Soc. Cons. a r.l in liquidation	60%	6						6	6	
Consorzio Polo sterilizzazione Integrata	60%	1						1	1	
Consorzio Sermagest in liquidation	60%	0						0	0	
DUC Gestioni Soc.Cons. a r.l.	49%	10						10	10	
F.lli Bernard S.r.l.	20%	1,483		(50)	294			1,727	1,727	
Gestione Strade Soc.Cons. a r.l.	25%	13						13	13	
GICO Systems S.r.l.	20%	163		0	61			225	225	

	%	Net assets 31 December 2018	Changes for the financial year					Net assets 31 December 2019	Book value	Provision for risks
			Financial effects	Dividends	Revaluations Write-downs	Provision for risks	Effects on shareholders' equity			
Global Provincia di Rimini Soc.Cons. a r.l.	42.40%	4						4	4	
Global Riviera Soc.Cons. a r.l.	30.66%	9						9	9	
Global Vicenza Soc.Cons. a r.l.	41.25%	4						4	4	
GR.A.AL. SOC.CONS a r.l.	29.93%	3						3	3	
Gymnasium soc. Cons. A r.l. in liquidation	68%	7						7	7	
Imola Verde e Sostenibile Soc. Cons. a r.l. (IVES)	30%	0	6					6	6	
IPP S.r.l.	24.75%	465			(67)			398	398	
Legnago 2001 Soc. Cons. a r.l.	50%	5						5	5	
LIVIA Soc. Cons. a r.l	34.10%	3	(3)					0	0	
Logistica Ospedaliera Soc. Cons. a r.l	45.00%	5						5	5	
Newco DUC Bologna S.p.A.	24.90%	1,275			223		115	1,613	1,613	
Palazzo della Fonte S.c.p.a.	33.3%	8,000	(8,000)					0	0	
ROMA Multiservizi S.p.A.	45.47%	3,396		0	(730)		(48)	2,618	2,618	
San Martino 2000 Soc.Cons. a r.l.	40%	4						4	4	
S.E.I. Energia Soc. Cons. a r.l.	49.00%	5						5	5	
Società -Consortile Adanti Manutencoop a r.l. in liquidation	50%	10						10	10	
Serena S.r.l.	50%	9						9	9	
Servizi Napoli 5 Soc. Cons. a r.l.	45%	5						5	5	
Servizi Sanitari Treviso (SE.SA.TRE) in liquidation	40%	8	(8)					0	0	
Servizi Sportivi Brindisi Soc. Cons. a r.l. in liquidation	50%	5						5	5	
Simagest 2 Soc.Cons.a r.l. in liquidation	90%	45						45	45	

	%	Net assets 31 December 2018	Changes for the financial year					Net assets 31 December 2019	Book value	Provision for risks
			Financial effects	Dividends	Revaluations Write-downs	Provision for risks	Effects on shareholders' equity			
Simagest 3 Soc.Cons.a r.l. in liquidation	89.99%	45						45	45	
Steril Piemonte Soc. Cons. a r.l.	25%	1,000			(14)			986	986	
T&M Protection Resources Holdings Italy S.p.A.	40%	600	(596)		(4)			0	0	
Tower Soc.Cons. a r.l.	20,17%	20						20	20	
NET BOOK VALUE		**19,120**	**(8,607)**	**(198)**	**(92)**	**0**	**67**	**10,289**	**10,376**	**(87)**

ANNEX III

RELATED-PARTY TRANSACTIONS

PARENT COMPANIES

		Revenues	Costs	Financial income	Financial charges		Trade receivables	Financial receivables and others	Trade payables	Financial payables and others
CMF S.p.A.	31-Dec-18				8,679	31-Dec-18				
	31-Dec-19					31-Dec-19				
Manutencoop Società Cooperativa	31-Dec-18	230	30,695	1	1,244	31-Dec-18	88	15,285	9,042	20,800
	31-Dec-19	159	32,014		1,123	31-Dec-19	62	8,002	8,943	33,096

ASSOCIATES AND JOINT-VENTURES

		Revenues	Costs	Financial income	Financial charges		Trade receivables	Financial receivables and others	Trade payables	Financial payables and others
Alisei s.r.l. in liquidation	31-Dec-18					31-Dec-18	3			1
	31-Dec-19					31-Dec-19	3			1
AMG S.r.l.	31-Dec-18		261			31-Dec-18			242	
	31-Dec-19		270			31-Dec-19			293	
BGP2 Soc.Cons. r.l.	31-Dec-18					31-Dec-18			89	
	31-Dec-19					31-Dec-19				
Bologna Gestione Patrimonio Soc.Cons. a r.l. in liquidation	31-Dec-18	60	346			31-Dec-18	525		623	
	31-Dec-19	60	878			31-Dec-19	355		1,043	
Bologna Multiservizi Soc.Cons. a r.l.	31-Dec-18		27			31-Dec-18				
	31-Dec-19		40			31-Dec-19				
Bologna Più Soc.Cons. a r.l. in liquidation	31-Dec-18					31-Dec-18		3	3	2
	31-Dec-19					31-Dec-19		3	3	2
Bologna Global Strade Soc. Cons. a r.l	31-Dec-18	3,370	5,821			31-Dec-18	2,597	336	3,796	
	31-Dec-19	2,638	4,711			31-Dec-19	2,322	336	3,588	

		Revenues	Costs	Financial income	Financial charges		Trade receivables	Financial receivables and others	Trade payables	Financial payables and others
Cardarelli Soc. Cons. a r.l.	31-Dec-18		39			31-Dec-18			40	
	31-Dec-19		7			31-Dec-19				
Centro Europa Ricerche S.r.l.	31-Dec-18					31-Dec-18				
	31-Dec-19					31-Dec-19				
Como Energia Soc.Cons. a r.l.	31-Dec-18		46			31-Dec-18			102	
	31-Dec-19					31-Dec-19			102	
Consorzio Imolese Pulizie soc.Cons. in liquidation	31-Dec-18					31-Dec-18		36	12	
	31-Dec-19					31-Dec-19		36	12	
Consorzio Polo Sterilizzazione Integrata a r.l.	31-Dec-18					31-Dec-18				
	31-Dec-19					31-Dec-19				
Consorzio Sermagest Soc.Cons. a r.l in liquidation	31-Dec-18					31-Dec-18				
	31-Dec-19					31-Dec-19				
CO.& MA. Soc. Cons. a r.l	31-Dec-18	360	1,120			31-Dec-18	300	20	929	
	31-Dec-19	360	1,035			31-Dec-19	240	20	839	
DUC Gestione Sede Unica Soc. Cons. a r.l.	31-Dec-18	7,216	3,455			31-Dec-18	3,666		773	
	31-Dec-19	7,075	3,538			31-Dec-19	3,877		996	
Fr.lli Bernard s.r.l.	31-Dec-18	(4)	76			31-Dec-18	29	50	46	
	31-Dec-19	12	34			31-Dec-19	41	50	61	
Gestione Strade soc.cons.r.l.	31-Dec-18		84			31-Dec-18			95	
	31-Dec-19	107	1,273			31-Dec-19	57	63	815	
Gico Systems S.r.l.	31-Dec-18	11	1,381			31-Dec-18	9		986	
	31-Dec-19	10	1,388			31-Dec-19	9		953	
Global Provincia di RN Soc.Cons. a r.l. in liquidation	31-Dec-18					31-Dec-18		70	13	
	31-Dec-19					31-Dec-19		70	13	
Global Riviera Soc.Cons. a r.l.	31-Dec-18		8			31-Dec-18			(31)	
	31-Dec-19		8			31-Dec-19			(23)	
	31-Dec-18		11			31-Dec-18		10	17	

		Revenues	Costs	Financial income	Financial charges		Trade receivables	Financial receivables and others	Trade payables	Financial payables and others
Global Vicenza Soc.Cons. a r.l.	31-Dec-19		(4)			31-Dec-19		10	14	
GR.A.AL. Soc. Cons. a. r.l.	31-Dec-18					31-Dec-18				
	31-Dec-19					31-Dec-19				
Grid Modena S.r.l.	31-Dec-18					31-Dec-18				
	31-Dec-19					31-Dec-19				
Gymnasium Soc. cons. a r.l in liquidation	31-Dec-18					31-Dec-18	1	8	33	
	31-Dec-19					31-Dec-19	1	8	33	
Imola Verde e Sostenibile Soc. Cons. a r.l. (IVES)	31-Dec-18					31-Dec-18				
	31-Dec-19					31-Dec-19				3
IPP S.r.l.	31-Dec-18	135				31-Dec-18	126	60		
	31-Dec-19	16				31-Dec-19	12	59		
Legnago 2001 Soc. Cons. r.l.	31-Dec-18		4			31-Dec-18	158		50	
	31-Dec-19		4			31-Dec-19	158		54	
Livia Soc. cons. a r.l.	31-Dec-18					31-Dec-18				
	31-Dec-19					31-Dec-19				
Logistica Ospedaliera Soc. Cons. a r.l.	31-Dec-18					31-Dec-18			15	
	31-Dec-19					31-Dec-19			15	
Newco DUC Bologna S.p.A	31-Dec-18					31-Dec-18			37	
	31-Dec-19		15			31-Dec-19			51	
Palazzo della Fonte S.c.p.a.	31-Dec-18	5,240				31-Dec-18	2,154			
	31-Dec-19	2,401				31-Dec-19	(1)			
Progetto ISOM S.p.A.	31-Dec-18	149	86	60		31-Dec-18				
	31-Dec-19					31-Dec-19				
Roma Multiservizi S.p.A.	31-Dec-18	1,623	1,377			31-Dec-18	3,261		615	
	31-Dec-19	818	1,124			31-Dec-19	3,377		341	
San Martino 2000 Soc.Cons. r.l.	31-Dec-18	2,186	2,695			31-Dec-18	236		880	
	31-Dec-19	1,585	2,425			31-Dec-19	135		1,556	
Savia Soc. Cons. a r.l	31-Dec-18		(4)			31-Dec-18			36	
	31-Dec-19					31-Dec-19				

		Revenues	Costs	Financial income	Financial charges		Trade receivables	Financial receivables and others	Trade payables	Financial payables and others
Serena S.r.l. - in liquidation	31-Dec-18					31-Dec-18		3		
	31-Dec-19					31-Dec-19		3		
Servizi Napoli 5 Soc.Cons. a r.l.	31-Dec-18	1,397	1,310			31-Dec-18	2,710		1,820	
	31-Dec-19	1,400	1,322			31-Dec-19	2,773		1,731	
Se.Sa.Mo. S.p.A.	31-Dec-18	5,080		27		31-Dec-18				
	31-Dec-19					31-Dec-19				
S.E.I. Energia Soc. Cons. a r.l.	31-Dec-18	53				31-Dec-18	63	735		
	31-Dec-19	67		22		31-Dec-19	121	776		
SESATRE S.cons. a r.l.	31-Dec-18		161			31-Dec-18			18	
	31-Dec-19					31-Dec-19				
Se.Ste.Ro S.r.l.	31-Dec-18					31-Dec-18				
	31-Dec-19					31-Dec-19				
S.I.MA.GE ST2 Soc. Cons. r.l. in liquidation	31-Dec-18					31-Dec-18		75	13	2
	31-Dec-19					31-Dec-19		75	13	2
S.I.MA.GE ST3 Soc. Cons. r.l in liquidation	31-Dec-18					31-Dec-18		3	3	
	31-Dec-19					31-Dec-19		3	3	
Società Consortile Adanti Manutenco op in liquidation	31-Dec-18					31-Dec-18			53	
	31-Dec-19					31-Dec-19			53	
Steril Piemonte Soc. cons. a.r.l	31-Dec-18		723			31-Dec-18	7	75	346	
	31-Dec-19		714			31-Dec-19	7		496	
Synchron Nuovo San Gerardo S.p.A.	31-Dec-18	5,979	211	202		31-Dec-18				
	31-Dec-19					31-Dec-19				
T&M Protection Resources Holdings Italy S.p.A.	31-Dec-18	6				31-Dec-18	7			
	31-Dec-19	47				31-Dec-19				
Tower Soc.Cons. a r.l. in liquidation	31-Dec-18					31-Dec-18	33	29		
	31-Dec-19					31-Dec-19	33	29		

SUBSIDIARIES OF MANUTENCOOP SOCIETA' COOPERATIVA

		Revenues	Costs	Financial income	Financial charges		Trade receivables	Financial receivables and others	Trade payables	Financial payables and others
Cerpac S.r.l. ir liquidation	31-Dec-18					31-Dec-18	1			
	31-Dec-19					31-Dec-19	1			
Manutencoop Immobiliare S.p.A.	31-Dec-18	10	1,016			31-Dec-18	3	173		
	31-Dec-19					31-Dec-19				
Nugareto Società Agricola Vinicola S.r.l.	31-Dec-18	15	10			31-Dec-18	1		5	
	31-Dec-19	1	5			31-Dec-19			5	
Sacoa S.r.l.	31-Dec-18	67	37			31-Dec-18	25	23	22	
	31-Dec-19	43	20			31-Dec-19	15			
Sacoa Servizi Telematici S.r.l.	31-Dec-18					31-Dec-18				
	31-Dec-19					31-Dec-19				
Segesta servizi per l'Ambiente S.r.l.	31-Dec-18	6				31-Dec-18	2			
	31-Dec-19	5				31-Dec-19	2			

ASSOCIATES OF MANUTENCOOP SOCIETA' COOPERATIVA OR OTHER RELATED PARTIES

		Revenues	Costs	Financial Income	Financial charges		Trade receivables	Financial receivables and others	Trade payables	Financial payables and others
Consorzio Karabak Società Cooperativa	31-Dec-18	66				31-Dec-18	21			
	31-Dec-19	73				31-Dec-19	26			
Consorzio Karabak 2 Società Cooperativa	31-Dec-18	3	1			31-Dec-18	1		1	
	31-Dec-19	5	1			31-Dec-19	2			
Consorzio Karabak 4 Società Cooperativa	31-Dec-18		2			31-Dec-18			2	
	31-Dec-19					31-Dec-19			1	
Consorzio Karabak 5 Società Cooperativa	31-Dec-18					31-Dec-18			1	
	31-Dec-19					31-Dec-19				
	31-Dec-18					31-Dec-18				

		Revenues	Costs	Financial Income	Financial charges		Trade receivables	Financial receivables and others	Trade payables	Financial payables and others
Consorzio Karabak 6 Società Cooperativa	31-Dec-19					31-Dec-19				

		Revenues	Costs	Financial Income	Financial charges		Trade receivables	Financial receivables and others	Trade payables	Financial payables and others
TOTAL	**31-Dec-18**	**33,258**	**50,998**	**290**	**9,923**	**31-Dec-18**	**16,027**	**16,994**	**20,727**	**20,805**
	31-Dec-19	**16,882**	**50,822**	**22**	**1,123**	**31-Dec-19**	**13,631**	**9,623**	**22,004**	**33,104**
Of which Discontinued Operations	**31-Dec-18**					**31-Dec-18**				
	31-Dec-19					**31-Dec-19**	**9**	**493**	**36**	**3,184**

ANNEX IV

STATEMENT OF RECONCILIATION OF THE RECLASSIFIED STATEMENT OF CASH FLOWS AND THE STATUTORY SCHEDULE ITEMS

	For the year ended			
	2019		2018	
Cash and cash equivalents at the beginning of the year		**94,733**		**59,870**
Cash flow from current operations:		**55,194**		**49,536**
Profit before taxes	18,306		24,269	
Amortizations, depreciations, write-downs (write-backs) of assets	37,789		31,121	
Accruals (reversals) of provisions	4,270		2,584	
Employee termination benefits provision	1,086		1,073	
Income (loss) from equity investments, net of dividends collected	290		2,841	
Financial charges (income) for the period	41,428		32,103	
Net interests received (paid) in the period	(33,904)		(25,823)	
Taxes paid in the period	(6,715)		(11,808)	
Reclassifications:				
Non-cash net financial charges accounted for under the Statement of profit or loss	*(7,357)*		*(6,824)*	
Uses of provisions for risks and charges and payments of the employee termination indemnity:		**(6,258)**		**(7,180)**
Uses of employee terminations benefits	(2,119)		(1,875)	
Uses of provisions for risks and charges	(4,139)		(5,305)	
CHANGE IN NWOC:		**4,634**		**14,965**
Decrease (increase) in inventories	(1,453)		(281)	
Decrease (increase) in trade receivables	5,978		11,289	

			For the year ended	
		2019		2018
Changes in trade payables	109		3,957	
INDUSTRIAL AND FINANCIAL CAPEX:		**(48,934)**		**(18,449)**
(Purchase of intangible assets, net)	(7,681)		(7,947)	
(Purchase of property, plant and equipment)	(25,020)		(24,040)	
Sale of property, plant and equipment	63		457	
(Acquisition of investments)	8,700		11,041	
Decrease (increase) of financial assets	2,114		460	
Financial effects of Business combinations	(10,813)		(1,529)	
Discontinued operations	(2,941)		220	
Reclassifications:				
Net change in the balance of short-term financial assets, to be included in the balance of net financial liabilities	*(2,108)*		*3,580*	
Payables for acquisition of equity investments and business combinations	*(8,484)*		*(690)*	
Financial effects of Business combinations	*(11,127)*			
Reclassification of Debt of Discontinued Operations	*8,363*			
CHANGE IN NET FINANCIAL LIABILITIES:		**21,647**		**176,946**
Change in finance lease debt	(1,143)		(445)	
New (repayment of) operating lease debt	(6,993)		0	
Acquisition of non-current borrowings	0		6,676	
Repayment of non-current borrowings	(12,199)		0	
Proceeds from/(repayment of) short term bank debt	(4,574)		(86)	
Other changes in financial debt	6,350		(14,391)	
Adjustments:				
Financial effects of Business combinations	*0*		*181,258*	
Reclassifications:				
Non-cash net financial charges accounted for under the Statement of Profit or Loss	*7,357*		*6,824*	
Net change in the balance of short-term financial assets, to be included in the balance of net financial liabilities	*2,108*		*(3,580)*	
Financial effects of Business combinations	*11,127*		*0*	

			For the year ended	
		2019		2018
Non-cash elements on net acquisitions of fixed assets	*6,493*		*0*	
Payables for acquisition of equity investments and business combinations	*8,484*		*690*	
Distribution of reserves and other changes in Equity	*13,000*			
Reclassification of Debt of Discontinued Operations	*(8,363)*			
OTHER CHANGES:		**(23,872)**		**(180,956)**
Decrease (increase) in other current assets	(6,962)		8,413	
Change in other current liabilities	2,894		(5,984)	
Dividends paid	0		(70)	
Acquisition/assignment of minority interests of subsidiaries	(230)		(1,500)	
Difference of financial statements translations in foreign currency	(81)		(557)	
Adjustments:				
Financial effects of Business combinations			*(181,258)*	
Reclassifications:				
Financial effects of Business combinations				
Non-cash elements on net acquisitions of fixed assets	*(6,493)*			
Distribution of reserves and other changes in equity	*(13,000)*			
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**97,143**		**94,733**

INDIPENDENT AUDITOR'S REPORT

2019

rekeep

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Rekeep S.p.A.

Consolidated financial statements as at December 31, 2019

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010

EY S.p.A.
Via Massimo D'Azeglio, 34
40123 Bologna

Tel: +39 051 278311
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Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010
(Translation from the original Italian text)

To the Sole Shareholders of
Rekeep S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Rekeep Group (the Group), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as 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.

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 the Rekeep S.p.A. 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.

Emphasis of Matter

We draw attention to Note 20 -Contingent Liabilities of the consolidated financial statements, which describes management evaluation regarding the sanction imposed on Rekeep S.p.A. by the Autorità Garante della Concorrenza e del Mercato (Antitrust Authority) on May 9, 2019 and the related effects on the consolidated financial statements.
Our opinion is not modified in respect of this matter.

Other Matter

The audit activity has been partially affected by the spreading of COVID 19 and all related measures imposed by the Italian government to protect the public health, including restrictions to all travel initiatives. Consequently, due to an objective situation of force majeure, certain audit procedures performed in accordance with the applicable auditing standards have been carried out considering (i) a revised organization of our employees and audit teams, based on a wide use of smart working models, and (ii) different means to connect with client management personnel and gather audit evidence, that primarily involved the use of electronic support provided through remote communication networks.

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, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the 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 Rekeep S.p.A. or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("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 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.

Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010

The Directors of Rekeep S.p.A. are responsible for the preparation of the Report on Operations of Rekeep Group as at December 31, 2019, including its consistency with the related consolidated financial statements and its 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, with the consolidated financial statements of Rekeep Group as at December 31, 2019 and on its compliance with the applicable laws and regulations, and in order to assess whether it contains material misstatements.

In our opinion, the Report on Operations is consistent with the consolidated financial statements of Rekeep Group as at December 31, 2019 and comply with the applicable laws and regulations.

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

Bologna, April 9, 2020

EY S.p.A.
Signed by: Alberto Rosa, Auditor

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

SEPARATE FINANCIAL STATEMENTS

at 31 december 2019

rekeep

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SEPARATE FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

(in Euro)	NOTE	31 December 2019	31 December 2018
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipments	4	7,440,296	7,510,915
Property, plant and equipments under lease	5	29,722,725	0
Goodwill	7	326,421,263	326,421,263
Other intangible assets	6	20,573,087	21,553,940
Investments in Subsidiaries, Joint-ventures, Associates	8	120,062,906	153,833,360
Other investments	8	4,695,463	4,643,583
Non-current financial assets	9	30,188,317	30,744,787
Other non-current assets	10	97,315,218	2,362,271
Deferred tax assets	35	11,284,217	11,204,276
TOTAL NON-CURRENT ASSETS		**647,703,494**	**558,274,396**
CURRENT ASSETS			
Inventories	11	817,774	641,924
Trade receivables and advances to suppliers	12	289,192,950	307,939,796
Current tax receivables		6,473,758	10,409,613
Other current assets	13	16,797,511	13,100,399
Current financial assets	14	25,264,955	19,588,438
Cash and cash equivalents	15	64,653,659	63,378,617
TOTAL CURRENT ASSETS		**403,200,608**	**415,058,787**
Assets held for sale	16	40,142,289	
TOTAL NON-CURRENT ASSETS HELD FOR SALE		**40,142,289**	**0**
TOTAL ASSETS		**1,091,046,391**	**973,333,183**

(in Euro)	NOTE	31 December 2019	31 December 2018
SHAREHOLDERS' EQUITY			
Share capital		109,149,600	109,149,600
Share premium reserve		145,018,390	145,018,390
Reserves		(98,134,262)	(99,056,063)
Retained earnings		3,808,987	3,808,987
Profit/(loss) for the year		5,741,154	15,971,159
TOTAL SHAREHOLDERS' EQUITY	**17**	**165,583,869**	**174,892,074**
NON-CURRENT LIABILITIES			
Employee termination indemnity	18	6,728,023	7,071,505
Provisions for risks and charges, non-current	19	22,707,396	22,585,763
Long-term financial debt	20	377,265,176	357,537,962
Deferred tax liabilities	35	13,163,836	12,899,183
Other non-current liabilities		32,000	43,000
TOTAL NON-CURRENT LIABILITIES		**419,896,432**	**400,137,413**
CURRENT LIABILITIES			
Provisions for risks and charges, current	19	5,449,825	5,943,812
Trade payables and contract liabilities	22	281,404,455	285,075,190
Other current liabilities	23	163,019,148	69,295,745
Bank borrowings, including current portion of long-term debt, and other financial liabilities	20	55,692,663	37,988,949
TOTAL CURRENT LIABILITIES		**505,566,090**	**398,303,696**
Liabilities directly associated with non-current assets held for sale	23		
TOTAL LIABILITIES DIRECTLY ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE		**0**	**0**
TOTAL SHAREHOLDES' EQUITY AND LIABILITIES		**1,091,046,391**	**973,333,183**

STATEMENT OF PROFIT OR LOSS

	NOTE	31 December 2019	31 December 2018
REVENUE			
Revenue from contracts with customers	24	688,894,984	715,747,548
Other revenue	25	1,282,261	5,730,822
TOTAL REVENUE		**690,177,246**	**721,478,370**
OPERATING COSTS			
Costs of raw materials and consumables	26	(114,068,236)	(104,546,541)
Change in inventories of finished and semi-finished products			
Costs for services and use of third-party assets	27	(226,258,795)	(242,509,923)
Personnel costs	28	(278,743,520)	(310,622,437)
Other operating costs	29	(4,523,654)	(5,000,116)
Amortization, depreciation, write-downs and write- backs of assets	30	(21,746,909)	(17,794,476)
Accrual (reversal) to provisions for risks and charges		(2,911,437)	(3,570,122)
TOTAL OPERATING COSTS		**(648,252,550)**	**(684,043,614)**
OPERATING INCOME		**41,924,695**	**37,434,755**
FINANCIAL INCOME AND EXPENSES			
Dividends and net income/(loss) from sale of investments	31	11,014,672	13,033,444
Financial income	32	6,640,433	3,896,148
Financial expenses	33	(42,674,437)	(32,369,634)
Gains / (losses) on exchange rate		(15)	(76)
Profit/(loss) before taxes from continuing operations		**16,905,347**	**21,994,637**
Income taxes	34	(11,164,194)	(6,023,478)
Profit/(loss) from continuing operations		**5,741,154**	**15,971,159**
NET PROFIT (LOSS)		**5,741,154**	**15,971,159**

STATEMENT OF OTHER COMPREHENSIVE INCOME

(in Euro)	NOTE	31 December 2019	31 December 2018
Profit/(Loss) for the year		**5,741,154**	**15,971,159**
Other components of the comprehensive income, which will be subsequently reclassified under profit/(loss) for the year:			
Gain/(loss) on cash flow hedge		0	0
Income taxes		0	0
Net effect of cash flow hedge gains/(losses)			
Other components of the comprehensive income for the period, which will be subsequently reclassified under profit/(loss) for the year		**0**	**0**
Other components of the comprehensive income, which will not be subsequently reclassified under profit/(loss) for the year:			
Actuarial gains/(losses) on defined benefit plans		(414,187)	130,560
Income taxes			
Capital gains/(losses) on intercompany transactions			(575,000)
Net effect of actuarial gains/(losses)	**18**	**(414,187)**	**(444,440)**
Other components of the comprehensive income for the year, which will not be subsequently reclassified under profit/(loss) for the year		**(414,187)**	**(444,440)**
Total profit/(loss) in the statement of comprehensive income, net of taxes		**(414,187)**	**(444,440)**
Total comprehensive income/(loss), net of taxes		**5,326,967**	**15,526,719**

STATEMENT OF CASH FLOWS

(in thousands of Euro)	For the year ended	
	31 December 2019	31 December 2018
Net profit (loss) from continuing operations for the year	**5,741**	**15,971**
Income taxes for the year	11,164	6,023
Profit (loss) before taxes	**16,905**	**21,995**
Profit (loss) from discontinued operations	0	0
Amortization, depreciation, write-downs and (write-backs) of assets	21,747	17,794
Accrual (reversal) of provisions for risks and charges	2,911	3,570
Employee termination indemnity provision	123	132
Payments of employee termination indemnity	(52)	(1,117)
Utilization of provisions for risks and charges	(3,284)	(3,367)
Financial charges (income) for the year	36,034	28,253
Operating cash flows before movements in working capital	**74,385**	**67,259**
Decrease (increase) of inventories	(176)	369
Decrease (increase) of trade receivables	17,349	17,926
Decrease (increase) of other current assets	(4,039)	6,490
Increase (decrease) of trade payables	(3,671)	(6,455)
Increase (decrease) of other current liabilities	(899)	(7,157)
Change in Working Capital	**8,565**	**11,173**
Net interest received (paid) in the year	(33,878)	(25,008)
Income tax paid in the year	(8,564)	(11,367)
Net cash flow from operating activities	**40,507**	**42,058**
(Purchase of intangible assets, net of sales)	(5,276)	(6,555)
(Purchase of property, plant and equipment)	(3,311)	(1,298)
Sales of property, plant and equipment	3,720	68
(Acquisition) Disposal of investments	68	4,695
(Decrease) Increase of financial assets	(2,885)	5,646
Net cash used in business combinations	0	3,447
Net cash flow used in investing activities	**(7,684)**	**6,003**
Proceeds from non-current borrowings	(2,581)	5,866
Repayment of non-current borrowings	(10,300)	0

(in thousands of Euro)	For the year ended	
	31 December 2019	31 December 2018
Proceeds from / (Repayment of) short term bank debt	(8,593)	(3,157)
Proceeds from / (Repayment of) intercompany loans	(9,063)	(5,741)
Proceeds from/(Repayment of) operating leases	(5,493)	0
Proceeds from / (Repayment of) other loans	4,483	(20,213)
Net change in loans	**(31,547)**	**(23,246)**
Dividends paid	0	0
Net cash flow from / (used in) financing activities	**(31,547)**	**(23,246)**
Changes in cash and cash equivalents	**1,276**	**24,815**
Cash and cash equivalents at the beginning of the year	63,379	38,564
Changes in cash and cash equivalents	1,276	24,815
Cash and cash equivalents at the end of the year	**64,654**	**63,379**
Details of cash and cash equivalents:		
Cash and bank current accounts	64,654	63,379
TOTAL CASH AND CASH EQUIVALENTS	**64,654**	**63,379**

SUPPLEMENTARY INFORMATION

(in thousands of Euro)	For the year ended	
	31 December 2019	31 December 2018
Interest paid	(38,244)	(28,294)
Interest received	4,366	3,286
Dividends paid	0	0
Dividends received	10,418	10,458

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(in (in thousands of Euro)	Share Capital	Share premium reserve	Other reserves	Retained earnings	Result for the year	Total shareholders' equity
1 January 2018	**109,150**	**145,018**	**41,541**	**3,809**	**8,408**	**307,927**
Allocation of profits			8,408		(8,408)	**0**
Business combinations "under common control"			(198,261)			**(198,261)**
Increase in equity reserves by the sole Shareholder			49,700			**49,700**
Comprehensive profit/(loss) for the year			(444)		15,971	**15,527**
31 December 2018	**109,150**	**145,018**	**(99,056)**	**3,809**	**15,971**	**174,893**
Effects of changes in accounting standards			(1,635)			**(1,635)**
1 January 2019	**109,150**	**145,018**	**(100,691)**	**3,809**	**15,971**	**173,257**
Allocation of profits			15,971		(15,971)	**0**
Resolution on dividend distribution			(13,000)			**(13,000)**
Comprehensive profit/(loss) for the year			(414)		5,741	**5,327**
31 December 2019	**109,150**	**145,018**	**(98,134)**	**3,809**	**5,741**	**165,584**

EXPLANATORY NOTES

1. GENERAL INFORMATION

Rekeep S.p.A.'s Separate Financial Statements (separate financial statements based on the definition used by IAS 27) for the financial year ended 31 December 2019 were approved by resolution of the Board of Directors' meeting held on 24 March 2020.

At 31 December 2019 the share capital of Rekeep S.p.A. was wholly held by the sole shareholder Manutencoop Società Cooperativa, which carries out Management and Coordination activities .

The Company also presents the Consolidated Financial Statements, which are attached hereto, as expressly required by the articles of association.

1.1 The business

Rekeep S.p.A. is active, throughout Italy, in the management and provision of integrated services to public and private customers, targeted at properties and property assets, logistics and organisational support, in order to optimise the management of property-related activities (also known as "Integrated Facility Management").

Therefore, the Company, provides a wide and coordinated range of integrated services, aimed at rationalising and improving the quality of the non-strategic and auxiliary activities of major private groups and public authorities.

The so-called ''traditional'' Facility Management services provided by the Company include the following activities:

- Cleaning;
- Technical Services;
- Landscaping.

Cleaning activity includes cleaning and hygiene services, sanitation, disinfection, pest control and rat extermination, collection, transport and disposal of hospital waste and employs the highest number of Company employees.

Technical Services encompass the management, running and maintenance services of property-related systems (including heating and air conditioning systems, cogeneration systems, electrical systems, water, sanitary, telephone and electronic systems in general) including therein:

- design and implementation of redevelopment and adjustment work into line with the safety legislation;
- design and installation of devices for energy saving and for the reduction of emissions of polluting agents into the atmosphere.

A third type of activities attributable to the Facility Management services rendered by the Company is the so-called Landscaping, i.e. a service for the maintenance of green spaces, which include both the planning and implementation of maintenance of properties' green areas, and services for the area.

Finally, energy management activities are developed, i.e. technical design, construction and operation of cogeneration plants and operation and maintenance of the same plants to provide customers with energy efficiency solutions.

In order to expand the range of facility management services offered to customers, coupled with the aforementioned facility management services, the Company offers a series of additional, auxiliary services, targeted at property users, including concierge/reception, switchboard and surveillance, porterage and internal relocation, management of computer workstations and other support services.

The Company performs the aforementioned integrated service activities at offices, industrial plants, warehouses, commercial and service industry buildings in general, green areas, car parks, crèches and schools and universities, hotels, sports complexes, barracks and welfare buildings.

2. ACCOUNTING STANDARDS AND BASIS OF PRESENTATION

The Separate Financial Statements at 31 December 2019 comprise the Statement of financial position, the Statement of Profit or Loss, the Statement of other Comprehensive Income, Statement of cash flows, Statement of changes in Shareholders' equity, and the related Explanatory Notes.

The Separate Financial Statements were prepared on a historical cost basis, except for the financial instruments that have been measured at fair value.

After considering the possible areas of doubt regarding the continuation of business, including any other market risk associated with the pending proceedings described in notes 16 and 21 of the Explanatory Notes, the Directors decided to prepare these financial statements on the going concern basis.

The Statement of Financial Position sets forth assets and liabilities distinguishing between current and non-current. The Statement of Profit or Loss classifies costs by nature, while the Statement of the other comprehensive Income sets forth the result for the period added with income and expenses, that in accordance with IFRS, are directly recognized in the Shareholders' equity. The Statement of cash flows has been prepared on the basis of the indirect method and presented in accordance with IAS 7, distinguishing between cash flow from operating, investing and financing activities.

The Financial statements at 31 December 2019 have been presented in Euro. All values showed in the statements and in the Explanatory Notes are in thousands of Euro, unless otherwise stated.

2.1 Statement of compliance with international accounting standard (IFRS)

The Separate Financial Statements at 31 December 2019 have been prepared in accordance with the International Financial Reporting Standards (IFRS). The Company is subject to Letter f) of Article 2 under the Italian Legislative Decree no. 38 of 28 February 2005, which rules the exercise of the options provided for by the Article 5 of Regulation (EC) 1606/2002 about the International Financial Reporting Standards and, therefore, pursuant to Article 3, paragraph 2 and Article 4, paragraph 5, of the aforesaid Italian Legislative Decree, the Company has applied the IFRS as adopted by the European Union in the preparation of its separate Financial Statements as from the year ended 31 December 2005.

2.2 Changes in accounting standards and disclosures

The criteria adopted for the preparation of the separate Financial Statements are consistent with those used to prepare the separate Financial Statements of the previous year, with the exception of the aspects detailed below for the standards and interpretations which are newly issued and applicable from 1 January 2019, in addition to the amendments to the standards already in force.

The Company did not provide for the early adoption of any standard, interpretation or improvement issued but still not obligatorily in force.

New or revised IFRS and interpretations applicable from 1 January 2019

In the 2019 financial year the following new accounting standards came into force:

IFRS16 – Leases. The scope of application of the new standard includes all lease agreements. A lease is an agreement that grants the right to use an asset ("the underlying asset") for a certain period of time against the payment of a consideration. The method to account for all leases is based on the model provided for in IAS 17, while excluding any lease that involves goods of little value (e.g.: computers) and short-term contracts (e.g.: with a term of less than 12 months). Therefore, a liability must be recognized as at the date on which the lease is stated in the accounts, for the rentals to be paid and the asset in relation to which the entity has a right to use, accounting for financial charges and the asset's amortization/depreciation separately. Finally, as regards the lessor, the accounting method is substantially unchanged with respect to the provisions laid down under the current IAS17. For the effects of the adoption of this standard, reference should be mate to note 3 below.

IFRIC 23 – Uncertainty over Income Tax treatments. The interpretation clarifies the accounting for uncertainties in income taxes in the application of recognition and measurement requirements in IAS 12 – "Income taxes". The interpretation specifically concerns: (i) whether an entity considers uncertain tax treatments separately, (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities, (iii) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates and (iv) how an entity considers changes in facts and circumstances. The interpretation does not add new disclosure requirements: however, it deals with the requirements laid down in IAS 1 relating to disclosures on judgments, information on the assumptions made and other estimates and information on contingent tax items under IAS 12 "Income taxes". An entity may elect to apply the interpretation either: (i) retrospectively using IAS 8 "Accounting

Policies, Changes in Accounting Estimates and Errors", if that is possible; or (ii) retrospectively, with the cumulative effect of initially applying the Interpretation recognized at the date of initial application as an adjustment to equity and without any restatement of comparative information. An entity must determine whether it considers each uncertain tax treatment independently or together with other (one or more) uncertain tax treatments. The decision should be based on which approach provides better predictions of the resolution of the uncertainty. The Company applies significant judgment in identifying uncertainties in the tax treatment of income taxes. The date of initial application is the beginning of the annual reporting period in which an entity applies this interpretation for the first time. Upon first-time adoption of the interpretation there was no significant impact from the application of the new standard on the Separate Financial Statements.

Amendments to IFRS9 - Prepayment Features with Negative Compensation. According to IFRS 9, a debt instrument can be measured at amortised cost or at fair value through comprehensive income, provided that the contractual terms and conditions envisage cash flows that are "solely payments of principal and interest" (the SPPI method) and the instrument is classified based on the appropriate business model. Amendments to IFRS 9 clarify that a financial asset that passes the SPPI test regardless of the event or circumstance that gives rise to the early termination of the contract and regardless of the party that pays or receives a reasonable compensation for the early termination of the contract. The adoption of the new standard did not entail any significant impact on the separate financial statements.

Amendments to IAS28 - Long-term interests in associates and joint ventures. It clarifies how entities must use IFRS 9 to recognize long-term interests in associates or joint ventures, for which the equity method is not applied. The adoption of the new standard did not entail any significant impact on the separate financial statements.

- *Amendments to IAS19 – Plan Amendment, Curtailment or Settlement*. The amendments to IAS 19 lay down the accounting rules in the event that an amendment, curtailment or settlement of the plan occurs during the reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the period, an entity is required to determine the cost of servicing for the remainder of the period after the plan amendment, curtailment or settlement, using the relevant actuarial assumptions to remeasure the net defined-benefit liability (asset) so that it reflects the plan benefits and plan assets after that event. An entity is also required to determine the net interest for the period remaining after the plan amendment, curtailment or settlement: the net defined-benefit liability (asset) that reflects the plan benefits and plan assets after that event and the discount rate used to reset the net defined-benefit liability (asset). The adoption of the new standard did not entail any significant impact on the separate financial statements.

Improvements to IFRS

The IASB also issued the "Annual Improvements to IFRS 2015-2017 Cycle", which make amendments to IFRS in response to issues mainly raised about: (I) IFRS 3 – "Business Combinations", clarifying that when an entity obtains control of a business that is a joint operation, it must remeasure previously held interests in that business; (II) IFRS 11 – "Joint Arrangements", clarifying that when an entity obtains control of a business that is a joint operation, it does not remeasure previously held interests min that business; (III) IAS 12 – "Income Taxes", clarifying that the impact relating to income taxes arising from dividends (i.e. distribution of profits) should be recognized through profit or loss, regardless of how the tax arises; (IV) and IAS 23 – "Borrowing Costs", clarifying that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that

borrowing becomes part of the funds that an entity borrows generally. No significant impact is expected from the application of these improvements on the Separate Financial Statements.

New or revised IFRS and interpretations applicable from subsequent years and not early adopted by the Company

In October 2018 the IASB issued amendments to *IAS 1 - Presentation of Financial Statements* and *IAS 8 - Accounting Policies, Changes in Accounting Estimates* clarifying the definition of "materiality", in order to support the application of the standard. The amendments will become applicable from the financial years ending after 1 January 2020, with early adoption permitted. No significant impact is expected from the application of these adjustments to the Separate Financial Statements .

The new IFRS 17 - *Insurance Contracts*, applicable from 1 January 2021, was also issued. No significant impact is expected from the application of the new standard to the Separate Financial Statements, as the Company does not conduct any insurance business.

2.3 Discretionary assessments and significant accounting assumptions

The preparation of the Separate Financial Statements requires Management Boards to make discretionary assessments, estimates and assumptions that affect the amounts of revenues, costs, assets and liabilities, and the indication of contingent liabilities at the date of the financial statements. However, the uncertainty of these assumptions and estimates could lead to outcomes which may require a significant adjustment to the carrying amount of said assets and/or liabilities in the future.

Discretionary assessments

The main decisions taken by the Directors, on the basis of discretionary assessments (excluding those relating to accounting estimates), in the application of the accounting standards, with a significant effect on the values recognized in the accounts relate to the adoption of the continuity of values principle for the recognition of business combinations under common control. Application of this principle gives rise to the recognition in the statement of financial position of values equal to those that would be recorded if the companies involved in the business combination had always been combined. The net assets of the acquiree and of the acquiring entity are therefore recorded on the basis of the carrying amounts included in their respective accounts before the transaction.

Uncertainty of estimates

The key assumptions regarding the future and other significant sources of uncertainty relating to estimates as at the period ending date of the separate Financial Statements are detailed below.

Impairment test

Goodwill is subject to impairment test at least annually, or more frequently if there is an indication of potential impairment in the carrying amounts. This requires an estimate of the value in use of the CGU (cash-generating unit) to which the goodwill is allocated, in turn based on an estimate of expected cash flows from the CGU and their discounting on the basis of a suitable discount rate. At 31 December 2019 the carrying amount of the goodwill stood at Euro 326,421 thousand (unchanged compared to 31 December 2018): for more details see note 7.

Provisions for risks and charges and Allowance for doubtful accounts

Provisions representing the risk of negative outcomes of legal and tax issues have been set aside. The value of the provisions recognized in the accounts in relation to these risks is the best estimate made by the directors at that date. Write-downs of trade receivables were recognized in an adjusting provision against failure to collect debts from clients. The value of the provisions recognized in the accounts in relation to these risks is the best estimate made by the directors at that date. The estimates entail the adoption of assumptions depending on factors which could change in time and could therefore have a substantial impact on the directors' current estimates used to prepare the Financial Statements.

Recognition of revenues and costs relating to contract activities

The Company uses the percentage of completion method to account for activities on long-term contracts for the building and improvement of properties or technological plants for which it does construction work. The margins recognized in profit and loss depend both on the progress of the works and the margins on the entire work when completed; therefore if contract activities and margins on work not yet completed are to be recognized correctly, the Directors must make correct estimates of the costs of completion, possible increases in cost, delays, extra costs and penalties which could reduce the expected margin. The use of the percentage of completion method requires the Company to estimate the costs of completion, which entails the adoption of assumptions depending on factors which could change in time and could therefore have a substantial impact on current estimates. Should actual costs be different from estimated costs, this change will impact on the results for future periods.

Deferred tax assets and likelihood of these being reversed in the future

Deferred tax assets are recognized to the extent that there is a likelihood of there being sufficient future taxable profit for the losses to be utilised. This means that the management must make a strong commitment to working out a correct estimate of the amount of tax assets which can be recognized on the basis of the level of future taxable profit, the timing of the receipt of the profits and tax planning strategies.

Main assumption applied to the actuarial valuation of the TFR (employee termination indemnity), such as the future turnover rate and discount financial rates

The cost of defined-benefit pension plans and of any other post-employment medical benefit, as well as the present value of the defined-benefit liability, are determined on the basis of actuarial assumptions. Actuarial assessments require various assumptions to be made which can differ from actual developments in the future. These assumptions also include the calculation of the discount rate, future pay rises, the mortality rate and future increases in pensions.

Owing to the complexity of the assessment and its long-term nature, these estimates are extremely sensitive to changes in assumptions. All the assumptions are reviewed on an annual basis. See note 18 for details.

2.4 Summary of the main accounting criteria

Property, plant and equipment

Property, plant and equipment are recorded at historical cost, net of the associated accumulated depreciation and accumulated impairment losses. This cost includes the costs for the replacement of part of the plant and equipment at the moment they are incurred if they conform to the recognition criteria.

Depreciation is calculated on a straight line basis in line with the estimated useful life of the asset, starting from the date the asset becomes available for use, until the date it is sold or disposed of.

The carrying amount of the property, plant and equipment is subject to impairment test when events or changes suggest that the carrying amount may not be recoverable.

A tangible asset is eliminated from the financial statements at the moment of sale or when no future economic benefits are expected from its use or disposal. Any profits or losses (calculated as the difference between net income from the sale and the carrying amount) are included in the income statement in the year of the aforementioned elimination.

The residual value of the asset, useful life and method applied are reviewed annually and adjusted, if necessary, at the end of each financial year.

The useful life of the various classes of tangible assets is estimated as shown below:

	Useful life
Plant and equipment, maintenance and landscaping	11 years
Plant and equipment, maintenance and construction of properties	From 6.5 to 10 years
Telephone systems	4 years
Equipment for cleaning/landscaping activities	6.5 years

	Useful life
Equipment for technological system management	3 years
Equipment for building construction and maintenance	2.5 years
Other industrial and commercial equipment	10 years
Laundry equipment	8 years
Linen	From 2.5 to 4 years
Vehicles	From 4 to 5 years
Office furniture and equipment	From 5 to 8 years
Leasehold improvements (including under plant and equipment)	< between useful life and lease term

The plant and equipment item of the financial position includes not only plant and equipment in the strictest sense, but also machinery, motor vehicles, office machines and furniture.

Financial charges deriving from the purchase are charged to the income statement except in the case in which they are directly attributable to the acquisition, construction or production of an asset which justifies their capitalization (qualifying asset), in which case they are capitalized. A qualifying asset is an asset that requires a certain period of time to be ready for use.

The capitalization of financial charges ceases when all the activities needed to make the qualifying asset ready for use have been substantially completed.

Extraordinary maintenance expenses are only included in the carrying amount of the asset when the company is likely to receive the associated economic benefits in the future and the cost can be reliably measured. The costs of repairs, maintenance or other operations to ensure the functioning of the assets are charged to the income statement in the year in which they are incurred.

Leasehold improvements are classified, on the basis of the nature of the cost incurred, under property, plant and equipment when they meet the capitalization criteria set forth by IAS 16. The depreciation period corresponds to the lower of the residual useful life of the tangible fixed asset and the residual duration of lease.

Goodwill

Goodwill, acquired in a business combination, is initially valued at cost, represented by the excess of the cost of the business combination with respect to the share pertaining to the Company in the net fair value relating to the identifiable values of assets, liabilities and contingent liabilities. After the initial recognition, goodwill is valued at cost less any accumulated impairment losses. Goodwill is subject to an analysis of consistency on an annual basis, or more frequently if events or changes are identified which may give rise to impairment losses.

For the purposes of this analysis of consistency, goodwill is allocated, from the date of acquisition, when the allocation is possible without arbitrariness, to each of the cash-generating units which believe that they will benefit from the synergies of the acquisition, irrespective of the allocation of other assets or liabilities to said units.

Impairment is determined by defining the recoverable value of the cash-generating unit (or group of units) to which goodwill is allocated. When the recoverable value of the cash-generating unit (or group of units) is lower than the carrying amount, an impairment loss is recorded.

The value of goodwill previously written down cannot be restored.

Other intangible assets

Intangible assets acquired separately are initially capitalized at cost, while those acquired through business combinations of companies not subject to joint control are capitalized at fair value on the date of acquisition. After initial recognition, intangible assets are recorded at cost net of amortization and accumulated impairment losses.

The useful life of the intangible assets is finite or indefinite.

Intangible assets with a finite useful life are amortised over their useful life and subject to consistency tests when there is an indication of potential impairment losses. The amortization period and method applied are reviewed at the end of each financial year or more frequently if necessary. Changes in the expected useful life or the methods with which the future economic benefits of the intangible asset are achieved by the Company are recorded by modifying the amortization period or method, as necessary, and treated as changes in the accounting estimates. The amortization charges of intangible assets with a finite useful life are recorded in the income statement under the cost item '(amortization, impairment losses) write-backs of assets'.

The Company did not record any intangible assets with an indefinite useful life, with the exception of goodwill.

The principles the Company applied for intangible assets are summarised below:

	Concessions, licenses, trademarks and similar rights	**Other intangible assets**
Useful life	Definite	Indefinite
Method used	Software, Trademarks and Patents	Contractual relations with customers
	Amortization on a straight line basis over the shorter time span between: > legal duration of the right; > expected period of use	Amortization in proportion to consumption of backlog.
	Backlog	
	Amortization in proportion to the contract term	
Produced internally or purchased	Purchased	Acquired in business combination.
Impairment tests / tests on recoverable value	Yearly or more frequently when there is evidence of impairment.	Yearly or more frequently when there is evidence of impairment.

Profits or losses deriving from the disposal of an intangible asset are measured as the difference between the net sales revenue and the carrying amount of the asset, and are recognized in the income statement at the moment of disposal.

Equity investments in subsidiaries, associates and joint ventures

Subsidiaries are companies over which the Company has the independent power to determine the strategic decisions of the company and obtain the associated benefits. Generally speaking, control is said to exist when, directly or indirectly, more than half of the voting rights which can be exercised at the ordinary shareholders' meeting are held, also considering so-called potential votes, i.e. voting rights deriving from convertible instruments.

Associates are companies over which the Company exercises a significant influence as regards the determination of the company's strategic decisions, despite not having control, also considering so-called potential votes, i.e. voting rights deriving from convertible instruments; a significant influence is said to exist when the Company holds, directly or indirectly, more than 20% of the voting rights which can be exercised at the ordinary shareholders' meeting.

Equity investments in subsidiaries and associates are measured at purchase costs, and reduced in the event of the distribution of capital or capital reserves, or in the presence of impairment losses determined by impairment testing. The cost is written back in subsequent years if the reasons for the write-downs no longer exist.

The Company participates in various joint ventures which can be classified as companies under joint control. A joint venture is a contractual agreement whereby two or more parties undertake an economic activity subject to joint control; a jointly controlled company is a joint venture that involves the setting up of a separate company in which each participant holds interests. Joint control is deemed to exist when 50% is held.

For all companies, a list of which is supplied in the appropriate notes, the cost criterion was applied.

The carrying amount of property, plant and equipment is subject to impairment test when events or changes suggest that the carrying amount may not be recoverable.

Impairment of assets

At the close of each financial year, the Company assesses whether there are any indicators of impairment of assets. In this case, or in the event an annual impairment test is required, the Company prepares an estimate of the recoverable value. The recoverable value is the higher of the fair value of an asset or cash-generating unit net of sales costs and its value in use is determined for each individual asset, except when said asset does not generate cash flows that are fully independent from those generated by other assets or groups of assets. If the carrying amount of an asset is higher than its recoverable value, said asset has been impaired and is subsequently written down to its recoverable value. In calculating the value in use, the Company discounts estimated future cash flows at the current value by using a pre-tax discount rate which reflects the market valuations on the time value of money and the specific risks of the asset. Impairment losses of operating assets are recorded in the income statement under the category '(amortization, impairment losses) write-backs of assets''

At the close of each financial year, the Company also assesses the existence of indications that the impairment losses recorded previously no longer exist (or have fallen) and, if said indications exist, estimate the recoverable value. The value of an asset

previously written down can only be restored if there have been changes to the estimates used to calculate the recoverable value of the asset following the latest recognition of an impairment loss. In said case, the carrying amount of the asset is adjusted to the recoverable value, without, however, the increased value exceeding the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized in the preceding years. Any write-back is recorded as income in the income statement, in the same category in which the write-down was recorded, except where the asset is recognized in a revalued amount, in which case the write-back is treated as a revaluation. After a write-back has been recorded, the amortization charge of the asset is adjusted in future periods, in order to break down the modified carrying amount, net of any residual values, on a straight line basis over the remaining useful life.

Financial assets

IFRS 9 makes provision for the following types of financial instruments:

- financial assets at fair value with changes booked to the income statement, a category which includes the financial assets held for trading, i.e. all assets acquired for short-term sale;
- loans and receivables, defined as non-derivative financial assets with fixed or determinable payments that are not listed on an active capital market;
- investments held to maturity, i.e. financial assets that are not derivative instruments and which are characterised by fixed or determinable payments on maturity for which the owner has the intention and capacity to hold them in the portfolio to maturity;
- available-for-sale financial assets, i.e. financial assets, excluding derivative financial instruments, which have been designated as such or are not classified in one of the other three previous categories.

All financial assets are initially recorded at fair value, increased, in the event of assets other than those at fair value in the income statement, by accessory charges. Following the initial recognition, the Company determines the classification of its financial assets and, where appropriate and permitted, reviews said classification at the close of each financial year.

The financial assets held by the Company in the year just ended, equal to those held in the previous year, relate exclusively to the two categories ‘loans and receivables’ and ‘available-for-sale financial assets’.

The valuation criteria applied by the Company are the following:

Financial assets at amortised cost

Financial assets accounted for at amortised cost are measured using the effective discount rate method. Profits or losses are recognized through profit or loss when financial assets are derecognized from the accounts or when impairment losses occur, as well as through the amortization process.

Financial assets at fair value through OCI

Financial assets at fair value through OCI (FVTOCI) are measured at fair value and profits or losses must be recognized in a separate equity item.

For the year ended, however, as in the previous year, the Company only classifies investments of lower than 20% in this category of assets, which are valued at cost when it can be regarded as a representation of fair value. In particular, consortium companies and consortia, which are not listed on regulated markets and whose objective is to regulate relations as part of temporary business combines established for the operational purposes of management of some service contracts, are valued at cost, represented by the portion of subscribed share capital.

Inventories

Inventories are valued at the lower of cost and net presumed realisable value (replacement cost).

The costs incurred to deliver each asset to its current location and for warehousing are recorded as follows:

Raw materials (excluding fuel)	Purchase cost based on the weighted average cost method
Fuel inventories	Purchase cost based on the weighted average cost method

The net presumed realisable value of raw materials is represented by the replacement cost.

Trade receivables and other receivables

Trade receivables, which generally have contractual maturities of between 30-90 days, are recorded at nominal value, stated in the invoice net of the bad debt provision. This allocation is made in the presence of objective evidence that the Company will not be able to collect the receivable. Uncollectible receivables are written down when they are identified.

Receivables and payables in a foreign currency other than the functional currency of the individual entities are adjusted at the year-end exchange rates.

Contractual activities on plant construction orders

A job order is a contract specifically stipulated for the construction of an asset on the instructions of a customer, who defines its design and technical features on a preliminary basis.

Job order revenues include the considerations initially agreed with the customer, in addition to the changes to the job order and price variations set out in the contract which can be determined reliably.

When the result of the job order can be determined reliably, the job orders are valued on the basis of the percentage of completion method. The progress status is determined by making reference to the costs of the job order incurred up to the balance sheet date as a percentage of total estimated costs for each job order.

The percentage of completion determined in this manner is then applied to the contract price in order to determine the value of contractual activities, classified under “Trade receivables". When the costs of the job order are likely to exceed total revenues, the expected loss is recognized immediately as a provision. Should the amount of the contract price already invoiced exceed the

estimated value, it must be recognized as a payable for the portion exceeding the value of the same and, as such, must be classified under "Contract liabilities".

Cash and cash equivalents

Cash and cash equivalents and short-term deposits in the financial position include cash at hand and sight and short-term deposits, in the latter case with an original maturity of no more than three months.

Loans

All loans are initially recorded at the fair value of the consideration received net of accessory charges involved in acquiring the loan. After initial recognition, loans are valued according to the amortise cost criterion using the effective interest rate method.

All profits or losses are recognized in the income statement when the liability is extinguished, plus through the amortization process.

Elimination of financial assets and liabilities

Financial assets

A financial asset (or, where applicable, part of a financial asset or parts of a group of similar financial assets) is derecognized from the financial statements when:

- the contractual rights over cash flows deriving from financial assets have expired;
- the Company has transferred the financial asset (transferring the right to receive cash flows from the asset or retaining the right to receive these but assuming the contractual obligation to pay them in full and without delay to a third party) and has transferred substantially all risks and rewards of ownership of the financial asset.

If, as a result of the transfer, a financial asset is completely eliminated, but the result is that the Group obtains a new financial asset or assumes a new financial liability, the Company records the new financial asset, financial liability or liability originating from service at fair value.

Financial liabilities

A financial liability is derecognized from the financial statements when the obligation underlying the liability is extinguished, cancelled or fulfilled. In cases where an existing financial liability is replaced by another of the same provider, under essentially different conditions, or the conditions of an existing liability are essentially modified, said exchange or modification is treated as derecognition of the original liability and the recognition of a new liability, and any differences in the carrying amounts are booked to the income statement.

Impairment of financial assets

At the end of each financial year, the Company assesses whether a financial asset or group of financial assets has incurred any impairment loss.

Assets valued according to the amortised cost criterion

If there is objective evidence that a loan or a receivable carried at amortised cost have suffered an impairment loss, the amount of the loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding future credit losses still not incurred) discounted at the original effective interest rate of the financial asset (i.e. effective interest rate calculated at the initial recognition date). The carrying amount of the asset will be reduced both directly and through the use of a provision.

The amount of the loss will be booked to the income statement.

The Company firstly assesses the existence of objective evidence of an impairment loss at individual level, for financial assets that are significant on an individual basis, and therefore at individual or collective level for financial assets that are not significant on an individual basis. In the absence of objective evidence of impairment of a financial asset valued individually, whether it is significant or not, said asset is included in a group of financial assets with similar credit risk characteristics and said group is subject to impairment test in a collective fashion. The assets valued at individual level and for which an impairment loss is recorded or continues to be recorded, will not be included in a collective valuation.

If, in a subsequent financial year, the size of the impairment loss falls and said reduction can be related objectively to an event which occurred after the recognition of the impairment loss, the previously reduced value can be written back. Any subsequent write-backs are booked to the income statement to the extent the carrying amount does not exceed the amortised cost at the write-back date.

Assets recognized at cost

If there is objective evidence of an impairment of an unquoted equity instrument which is not recognized at fair value since its fair value cannot be reliably measured, or of a derivative instrument which is linked to said equity and has to be settled through the delivery of said instrument, the amount of the impairment loss is measured by the difference between the carrying amount of the asset and the present value of expected future cash flows and discounted at the current market rate of return for a similar financial asset.

Financial assets at fair value through OCI

In the case of an impairment of a financial asset at fair value through OCI, a transfer from shareholders' equity is effected of a value equal to the difference between its cost (net of the repayment of capital and amortization) and its present fair value. Write-backs of instruments classified in this category are also recognized in a specific equity reserve.

Provisions for risks and charges

Allocations to provisions for risks and charges are made when the Company has to fulfil a current obligation (legal or implicit) resulting from a past event, resources are likely to be sacrificed to meet said obligation and its amount can be reliably estimated.

When the Company believes that an allocation to the provision for risks and charges will be partially or fully reimbursed, e.g. in the event of risks covered by insurance policies, the compensation is recorded separately under assets only if it is virtually certain. In said case, the cost is stated in the income statement of the associated allocation net of the amount recorded for the compensation.

If the effect of discounting the value of money is significant, provisions are discounted using a pre-tax discount rate which reflects, where appropriate, the specific risks of the liabilities. When discounting is carried out, the increase in the provision due to the passing of time is recorded as a financial charge.

Provision for employee termination benefits

Liabilities in the form of employee termination benefits are only recorded when the Company is demonstrably committed to: (a) terminate the employment of an employee or group of employees before the normal retirement date; or (b) provide termination benefits as a result of an offer made in order to encourage voluntary redundancy. The Company is demonstrably committed to a termination only when it has a detailed formal plan for the dismissal (termination of employment) and is without realistic possibility of withdrawal from the plan.

Employee benefits

Italian legislation (art. 2120 of the Civil Code) requires that, on the date of termination of their employment with the company, each employee receives compensation known as ESI (Employee Severance Indemnity). Calculation of this indemnity is based on certain items that form the annual employee remuneration for each year of employment (re-valued as necessary) and on the length of service. According to statutory Italian legislation, said indemnity is reflected in the financial statements according to a calculation method based on the indemnity accrued by each employee at the balance sheet date, in the assumption that all employees end their employment at said date.

The IFRIC issued by the IASB tackled the issue of Italian ESI and concluded that, in application of IAS 19, it falls within the scope of “defined benefit” plans, as regards post-employment benefits and, as such, must be calculated using the Projected Unit Credit Method, in which the amount of liabilities in the form of acquired benefits must reflect the expected date of termination and must be discounted.

Following the 2007 reform of national legislation which governs, for companies with more than 50 employees, ESI accruing from 1 January 2007, it is established as a “defined contribution” plan, whose payments are booked directly to the income statement, as a cost, when recognized. ESI accrued up until 31.12.2006 remains a defined benefit plan, without future contributions.

The Company records actuarial gains or losses in the accounts deriving from the application of the aforementioned method (Projected Unit Credit Method), in an appropriate shareholders’ equity reserve according to the provisions of IAS 19 The actuarial valuation of the liability was entrusted to an independent actuary.

The Company has no other significant defined benefit pension plans.

Leases

According to IFRS16 a lease is an agreement that grants the right to use an asset ("the underlying asset") for a certain period of time against the payment of a consideration.

At the inception of the contract the entity must assess whether the contract is, or contains, a lease. The contract is, or contains, a lease if it gives the entity the right to control the use of a specified asset for a period of time in exchange for consideration. An entity must reassess whether a contract is, or contains, a lease only if the terms and conditions of the contract are amended.

For a contract that is, or contains, a lease, the entity must account for each lease component as a lease separately from non-lease components. For contracts that contain a lease component and one or more lease and non-lease components, the lessor must allocate the consideration under the contract by applying IFRS 15.

Finance lease contracts, which substantially transfer all risks and rewards of ownership of the leased asset, are capitalized at the date of the start of the lease at the fair value of the leased asset or, if lower, at the present value of rental fees. Rental fees are split between the portions of principal and interest so as to obtain the application of a constant interest rate on the residual debt balance. Financial costs are charged directly to the income statement. Capitalized leased assets are amortised over the estimated useful life of the asset and the lease term, whichever is the shorter, if there is no reasonable certainty that the ownership of the asset will be obtained at the end of the contract.

At the effective date, the lessee must measure the liability under an operating lease at the present value of lease payments outstanding at that date. Lease payments must be discounted back by using the interest rate implicit in the lease if it is determinable reliably. If it is not possible, the lessee must use its marginal borrowing rate. The underlying asset, which consists of the Right Of Use (ROU), must be recognized among assets must be recognized against an entry for this liability. After the effective date, the lessee must measure the asset consisting of the right of use by applying a cost model, unless the fair value model or the revaluation model is applied. The Company does not apply such alternative models.

Following the adoption of IFRS16 the accounting treatment of operating leases is then in line with the provisions laid down in IAS17 previously in force: the liability for lease payments and the asset in relation to which the entity has a right to use must be reported at the date of recognition of the lease, accounting for financial charges and the asset's amortization/depreciation separately. Finally, as regards the lessor, the accounting method is substantially unchanged with respect to the provisions laid down under the current IAS17. Finally, the Group has adopted some exceptions allowed by the accounting standard, excluding any lease with a term of less than 12 months, as well as any lease and hire of low value (less than USD 5,000) from the related scope of application. Furthermore, the Company has exercised its right to not review whether a contract is, or contains, a lease on the date of first-time adoption (IFRS16.C3).

Revenues recognition

Revenues are recorded to the extent in which it is likely that economic benefits can be achieved by the Company and the associated amount can be reliably determined. The following specific revenue recognition criteria must be adhered to before revenues are booked to the income statement:

Provision of services

The main types of service provided by the Company, separately or jointly as part of Integrated Services, are:

management and maintenance of properties and plants, often associated with the provision of heat (energy service);

- cleaning and environmental hygiene services;
- landscaping;
- design services.

Revenues are recognized on the basis of the progress of the services underway at the balance sheet date, measured as a percentage with reference to the different variables depending on the services provided and the contracts stipulated with the customer (square metres, hours, costs incurred, hospital days).

The provisions of services, which are still not completed at the balance sheet date, constitute contract activities and are classified under trade receivables.

Revenues billed at the balance sheet date, which exceed the amount accrued on the basis of the progress status of the service, are suspended under contract liabilities, and classified under trade payables.

The considerations, also as part of multi-service contracts, are, as a rule, defined separately by service type and the amount of revenues to be attributed to the individual services is quantified at fair value.

When the outcome of a services transaction cannot be measured reliably, revenues are only recognized to the extent it is believed that the costs incurred can be recovered.

Plant construction activities

The Company records the revenues deriving from building contracts on the basis of the progress status of the job order, measured as a percentage of the costs incurred with respect to the total estimated costs for completing the work.

When the outcome of a job order cannot be measured reliably, revenues are only recognized to the extent it is believed the costs incurred can be recovered.

Sales of assets

The revenue is recognized when the company has transferred all significant risks and rewards related to ownership of the asset to the acquirer.

Interest

Interest is recorded as financial income following the verification of interest income accrued (carried out using the effective interest rate method which is the rate that accurately discounts expected future cash flows based on the expected life of the financial instrument at the net carrying amount of the financial asset).

Dividends

Revenues are recognized when the right of shareholders to receive the payment arises.

Government grants

Government grants are recorded when it is reasonably certain they will be received and all inherent conditions are met. When grants are related to cost components, they are recorded as revenues, but are systematically split over the financial years so they are commensurate with the costs they intend to compensate. In the event the grant is related to an asset, the fair value is subtracted from the carrying amount of the asset to which it is related and the release to the income statement occurs progressively over the expected useful life of the asset on a straight line basis, through the systematic reduction of the associated amortization charges.

Income taxes

Current taxes

Current tax assets and liabilities for the financial year are valued by applying estimate criteria to determine the amount pertaining to the financial year which is expected to be recovered or paid to the tax authorities. The rates and tax legislation used to calculate the amount are those issued at the balance sheet date.

Deferred taxes

Deferred taxes are calculated on the temporary differences recorded at the balance sheet date between the tax values taken as a reference for assets and liabilities and the values stated in the financial statements.

Deferred tax liabilities are recorded against all temporary taxable differences, except:

- when deferred tax liabilities derive from the initial recognition of goodwill or of an asset or liability in a transaction which is not a business combination and which, at the time of the transaction, does not have any effect on the profit for the year calculated for financial statement purposes or the profit or loss calculated for tax purposes;
- with reference to taxable temporary differences associated with equity investments in subsidiaries, associates and joint ventures, in the event in which the reversal of the temporary differences can be controlled and it is not likely to occur in the foreseeable future.

Deferred tax assets are recognized against all deductible temporary differences and for tax assets and liabilities carried forward, to the extent it is possible that there will be adequate future tax profits that make the use of temporary deductible differences and tax assets and liabilities carried forward applicable, except in the case in which:

- deferred tax assets connected to deductible temporary differences derive from the initial recognition of an asset or liability in a transaction which is not a business combination and which, at the time of the transaction, does not have any effect on the profit for the year calculated for financial statement purposes or the profit or loss calculated for tax purposes;

- with reference to taxable temporary differences associated with equity investments in subsidiaries, associates and joint ventures, deferred tax assets are recorded only to the extent in which it is likely that the deductible temporary differences will be reversed in the immediate future and that sufficient tax profits will be generated against which the temporary differences can be used.

The value of deferred tax assets to be recorded in the financial statements is reviewed at the close of each financial year and reduced to the extent it is no longer likely that sufficient tax profits will be available in the future to permit all or part of said receivable to be used. Unrecognized deferred tax assets are reviewed annually at the balance sheet date and are recorded to the extent it has become likely that the tax profit is sufficient to allow said deferred tax assets to be recovered.

Deferred tax assets and liabilities are recognized on the basis of the tax rates that are expected to be applied in the year in which said assets are sold or said liabilities are extinguished, considering the rates in force and those already issued or substantially issued at the balance sheet date.

Income taxes relating to items recorded directly in shareholders' equity are charged directly to shareholders' equity and not to the income statement.

Deferred tax assets and liabilities are offset, if there is a legal right to offset the current tax assets with current tax liabilities and the deferred taxes refer to the same tax entity and the same tax authorities.

VAT

Revenues, costs and assets are recorded net of VAT, with the exception of the case in which said tax applied to the purchase of goods or services is non-deductible, in which case it is recognized as part of the purchase cost of the asset to the income statement.

The net amount of indirect taxes on sales and purchases that can be recovered from or paid to the tax authorities is included in the financial statements under other receivables or payables depending on whether the balance is receivable or payable.

Earnings per share

The Company did not adopt IFRS 8 - Segment Reporting or IAS 33 Earnings Per Share in these financial statements, given that they are only mandatory for companies quoted on regulated markets; this information is provided in the Group consolidated financial statement.

Conversion of foreign currency items

The financial statements are presented in Euro, the Company's functional currency.

Statements of financial position and income statements stated in foreign currency are converted to Euro using the year-end exchange rates for financial position items and average exchange rates for items in the income statement.

Changes in accounting estimates and errors

Some elements in the financial statements cannot be measured accurately and are therefore the objects of estimates which depend on future uncertain circumstances governing the conduct of the entity's business. Over time these estimates will be revised to take account of the data and information that subsequently become available. The effect of a change in accounting estimates in the financial year in which it has occurred must be recognized prospectively and included in the income statement of that period and in future periods if the change also affects these. Prospective recognition of the effects of the changed estimate means that the change is applied to transactions that take place from the time that the estimate is changed. Accounting estimates are reviewed or changed if new information comes to hand or if there are new developments in operations and for these reasons, these do not constitute corrections of errors.

Prior period errors are omissions from, and misstatements in, an entity's financial statements for one or more prior periods arising from a failure to use, or a misuse of, reliable information that was available when the financial statements for those periods were authorized for issue, and could reasonably have been expected to have been obtained and used in the preparation and presentation of these financial statements. Such errors include the effects of mathematical mistakes, mistakes in applying accounting standards, oversights or misinterpretation of facts and fraud. Financial statements do not comply with IFRSs if they contain either material errors or immaterial errors made intentionally to achieve a particular presentation of an entity's statement of financial position, financial performance or cash flows. Potential current period errors discovered in that period must be corrected before the financial statements are authorised for issue. Errors recognized in subsequent periods must be corrected in the comparative information presented in the financial statements for that subsequent period if they are material errors and the correction is deemed feasible, restating the opening balances of assets, liabilities and equity for that period.

Restatement is not applied and errors are recognized prospectively if the errors and omissions are considered immaterial.

Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that the users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances.

3. EFFECTS OF CHANGES IN ACCOUNTING STANDARDS

Under Regulation (EU) No. 1986 of 31 October 2017 the European Union adopted IFRS 16 – Leases, as well as amended and renamed IFRS 1, IFRS 3, IFRS 4, IFRS 7, IFRS 9, IFRS 13, IFRS 15, in addition to the accounting standards IAS 1, IAS 2, IAS 7, IAS 12, IAS 16, IAS 21, IAS 23, IAS 32, IAS 37, IAS 38, IAS 39, IAS 40, IAS 41 and interpretations IFRIC 1, IFRIC 12, SIC 29 and SIC 32. The adoption of the accounting standard is effective for IAS-adopters from the financial periods commencing on or after 1 January 2019.

The first-time adoption of IFRS 16 – *Leases* made it necessary to carry out an in-depth analysis, which allowed the assessment of the potential impact of the adoption of the new standard on the financial position, results of operations, cash flows and

disclosures reported in the 2019 Separate Financial Statements. Furthermore, a careful assessment was started in relation to the operational impact that this accounting transition would entail on the Company's administrative processes.

The main cases of operating leases identified by the analysis concern:

- property leases for offices throughout Italy held with parent company Manutencoop Società Cooperativa, which is the owner of these properties (including, in particular, the executive offices located in Zola Predosa (Province of Bologna), as well as the Mestre office (Province of Venice) and other minor offices);
- property leases for the Company's operating offices throughout Italy held with third parties;
- long-term hire for the corporate fleets;
- other forms of hiring of equipment used in the performance of some work contracts.

According to the previously applicable accounting rules, the "operating" lease cost for the period was accounted for in the Statement of Profit/Loss for the period, as "Cost for use of third-party assets", according to the matching principle and based on its accrual for the time being. The impact on the business cash flows was then accounted for as "Cash flow from current operations" in the Statement of Cash Flows. Furthermore, the accounting standard IAS 17 provided for the financial method to be adopted for "finance" leases only, thus recognising the asset among balance sheet assets (and recognising accordingly any related amortization and depreciation) and the liability arising from future lease payments among balance sheet liabilities. Moreover, the related financial costs for the period were accounted for during the period of financial amortization of this liability.

The new accounting standard IFRS 16 has introduced significant changes concerning the method to account for operating leases, providing for the recognition of the liability arising from leases that were previously classified as operating leases in applying IAS 17. The lessee must measure the lease liability at the present value of the remaining payments due under the lease, as discounted using the lessee's marginal borrowing rate and recognize the Right-Of-Use asset (ROU).

The analysis conducted upon first-time adoption in the Separate Financial Statements highlighted, first of all, the need for the evaluation of an appropriate marginal discount rate, which was differentiated by type of hire (property leases, long-term hire) as well as by average term and allocation of costs relating to these contracts (head office functions and/or each line of business).

Therefore, the following discounting and amortization methods have been adopted in the Separate Financial Statements at 31 December 2019:

	Property leases	Corporate fleet vehicles
Useful life	Definite	
Amortization of Right of Use	Amortization on a straight-line basis over the shorter period of: > legal term of the right of use > expected period of use	
Financial amortization	In fixed instalments and decreasing capital quota	
Marginal discount rate	4.90%	4.00%

Finally, the Company has adopted some exceptions allowed by the accounting standard, excluding any lease with a term of less than 12 months, as well as any lease and hire of low value (less than USD 5,000) from the related scope of application. Furthermore, the Company has exercised its right to not review whether a contract is, or contains, a lease on the date of first-time adoption (IFRS16.C3).

Effects of the change in the accounting standard on the Equity and on the Statement of Financial Position at 1 January 2019

The accounting method applied to transition is the "Modified retrospective approach", which does not provide for the mandatory restatement of comparative information. The lessee must instead recognize the cumulative effect of the first-time adoption of the standard as an adjustment to the opening balance of profits carried forward as at 1 January 2019. The book value of ROU-assets has been calculated by the Company as if the standard had been applied from the effective date, as discounted by using the lessee's marginal borrowing rate upon first-time adoption.

However, for the sake of clarity, in the Explanatory Notes report the balance sheet data at 31 December 2019 and 31 December 2018 as well as the results of operations and cash flows for the 2018 financial year have been reported, together with the comparative data restated to take account of the changes in the accounting standard described.

The table below reports the reconciliation between the balance sheet data at 1 January 2019 (as recognized in the Separate Financial Statement at 31 December 2108) and the corresponding balances at 1 January 2019 restated to take account of the aforesaid adjustments:

	1 January 2019	Effects of adoption of IFRS 16	1 January 2019 restated
Assets			
Non-current assets			
Property, plant and equipments	7,511		7,511
Property, plant and equipments under lease	0	33,589	33,589
Goodwill	326,421		326,421
Other intangible assets	21,554		21,554
Investments in Subsidiaries, Joint-ventures, Associates	153,833		153,833
Other investments	4,644		4,644
Non-current financial assets	30,745		30,745
Other non-current assets	2,362		2,362
Deferred tax assets	11,204	633	11,837
Total non-current assets	**558,274**	**34.221**	**592,496**
Current assets			
Inventories	642		642
Trade receivables and advances to suppliers	307,940		307,940

	1 January 2019	Effects of adoption of IFRS 16	1 January 2019 restated
Current tax receivables	10,410		10,410
Other current assets	13,100		13,100
Current financial assets	19,588		19,588
Cash and cash equivalents	63,379		63,379
Total current assets	**415,059**	**0**	**415,059**
Assets held for sale	0		0
Total non-current assets held for sale	**0**	**0**	**0**
TOTAL ASSETS	**973,333**	**34.221**	**1,007,555**

	1 January 2019	Effects of adoption of IFRS 16	1 January 2019 restated
Shareholders' equity			
Share capital	109,150		109,150
Share premium reserve	145,018		145,018
Reserves	(99,056)	(1,352)	(100,408)
Retained earnings	3,809	(283)	3,526
Profit/(loss) for the year	15,971		15,971
TOTAL SHAREHOLDERS' EQUITY	**174,892**	**(1,635)**	**173,257**
Non-current liabilities			
Employee termination indemnity	7,072		7,072
Provisions for risks and charges, non-current	22,586		22,586
Long-term financial debt	357,538	30,704	388,242
Deferred tax liabilities	12,899		12,899
Other non-current liabilities	43		43
Total non-current liabilities	**400,137**	**30,704**	**430,842**
Current liabilities			
Provisions for risks and charges, current	5,944		5,944
Trade payables and contract liabilities	285,075		285,075
Other current liabilities	69,296		69,296
Bank borrowings, including current portion of long-term debt, and other financial liabilities	37,989	5,152	43,141
Total current liabilities	**398,304**	**5,152**	**403,456**
Liabilities directly associated with assets held for sale	0		0
Total liabilities directly associated with assets held for sale	**0**	**0**	**0**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**977,333**	**34,221**	**1,007,555**

Finally, for the sake of completeness, the table below reports a reconciliation between the income statement balances recognized in the Separate Financial Statements at 31 December 2018 and the corresponding balances at 31 December 2018, which would emerge upon the application of the new accounting standard to comparative data:

	12 months ended 31 December 2018	Effects of adoption of IFRS 16	12 months ended 31 December 2018 restated
Revenue			
Revenue from contracts with customers	715,748		715,748
Other revenue	5,731		5,731
Total revenue	**721,478**	**0**	**721,478**
Operating costs			
Costs of raw materials and consumables	(104,547)		(104,547)
Costs for services and use of third-party assets	(242,510)	7,262	(235,248)
Personnel costs	(310,622)		(310,622)
Other operating costs	(5,000)		(5,000)
Amortization, depreciation, write-downs and write-backs of assets	(17,794)	(5,923)	(23,717)
Accrual (reversal) to provisions for risks and charges	(3,570)		(3,570)
Total operating costs	**(684,044)**	**1,340**	**(682,704)**
Operating income	**37,435**	**1,340**	**38,774**
Financial income and expenses			
Dividends and net income/(loss) from sale of investments	13,033		13,033
Financial income	3,896		3,896
Financial expenses	(32,370)	(1,733)	(34,102)
Gains / (losses) on exchange rate	(1)		(1)
Profit/(loss) before taxes from continuing operations	**21,995**	**(393)**	**21,602**
Income taxes	(6,023)	110	(5,914)
Profit/(loss) from continuing operations	**15,971**	**(283)**	**15,688**
PROFIT (LOSS) FOR THE YEAR	**15,971**	**(283)**	**15,688**

4. PROPERTY, PLANT AND EQUIPMENT

The table below shows the changes in property, plant and equipment owned in the year ended 31 December 2019.

	Property	Plant and equipment	Total
At 1 January 2019, net of accumulated depreciation and impairment	**350**	**7,161**	**7,511**
Additions from acquisitions		2,097	**2,097**
Disposals		(453)	**(453)**
Depreciation for the year	(25)	(1,689)	**(1,714)**
At 31 December 2019	**325**	**7,116**	**7,440**
At 1 January 2019			
Historical cost	2,166	54,623	**56,789**
Accumulated depreciation and impairment losses	(1,816)	(47,462)	**(49,278)**
NET BOOK VALUE	**350**	**7,161**	**7,511**
At 31 December 2019			
Historical cost	2,166	55,526	**57,692**
Accumulated depreciation and impairment losses	(1,841)	(48,411)	**(50,252)**
NET BOOK VALUE	**325**	**7,116**	**7,440**

The increases in the year, for a total amount of Euro 2,097 thousand, mainly refer to the purchase of equipment used for cleaning and sanitation services and hardware. Investments were also made during the year in power plants of the complexes under management.

There are no fixed assets which have been subject to revaluations in the current financial year or in previous years.

The table below shows the changes in company-owned property plant and equipment in the year ended 31 December 2018.

	Property	Plant and equipment
At 1 January 2018, net of accumulated depreciation and impairment	**375**	**8,621**
Additions from business combinations		(672)
Additions from acquisitions		1,308
Disposals		(68)
Depreciation for the year	(25)	(2,028)
At 31 December 2018	**350**	**7,161**
At 1 January 2018		
Historical cost	2,166	59,766
Accumulated depreciation and impairment losses	(1,791)	(51,145)
NET BOOK VALUE	**375**	**8,621**
At 31 December 2018		
Historical cost	2,166	59,166
Accumulated depreciation and impairment losses	(1,816)	(52,005)
NET BOOK VALUE	**350**	**7,161**

5. PROPERTY, PLANT AND EQUIPMENT UNDER LEASE

The table below shows the changes in property, plant and equipment under lease in the year ended 31 December 2019. No finance leases were recognized at the reporting date of the Separate Financial Statements.

Right-of-use assets of operating leases were recognized as a result of the adoption of the new accounting standard IFRS16. The accounting method used for transition is the "Modified retrospective approach" and, therefore, there was no restatement of accounting data posted in the Separate Financial statements at 31 December 2018.

	Rights of use of property	Rights of use of plant and machinery	Total
At 1 January 2019, net of accumulated depreciation and impairment, in application of the new standard IFRS16	**27,922**	**5,669**	**33,591**
Additions from new contracts and rental adjustments	218	1,839	**2,057**
Early termination	(204)	(188)	**(391)**
Depreciation for the year	(3,065)	(2,468)	**(5,534)**
At 31 December 2019	**24,871**	**4,851**	**29,723**
At 1 January 2019			
Historical cost	39,148	17,386	**56,534**
Accumulated depreciation and impairment losses	(11,227)	(11,717)	**(22,944)**
NET BOOK VALUE	**27,922**	**5,669**	**33,591**
At 31 December 2019			
Historical cost	38,992	17,071	**56,063**
Accumulated depreciation and impairment losses	(14,121)	(12,220)	**(26,341)**
NET BOOK VALUE	**24,871**	**4,851**	**29,723**

Additions from acquisitions for the year mainly related to the execution of new long-term hire contracts for the corporate fleet vehicles (Euro 1,836 thousand), as well as of new property leases for the operating offices throughout Italy for Euro 42 thousand. Furthermore, rentals were increased for the leases already in place following ISTAT (Italian Statistics Institute) index adjustments for Euro 178 thousand.

Cases of early termination for the year gave rise to impairment losses for Euro 391 thousand, of which an amount of Euro 204 thousand relating to property leases.

6. OTHER INTANGIBLE ASSETS

The table below shows the changes in intangible assets in the year ended 31 December 2019.

	Other intangible assets	Goodwill	Total
At 1 January 2019, net of accumulated amortization and impairment	**21,554**	**326,421**	**347,975**
Additions from acquisitions	5,294		**5,294**
Disposals	(18)		**(18)**
Amortization for the year	(6,257)		**(6,257)**
At 31 December 2019	**20,573**	**326,421**	**346,994**
At 1 January 2019			
Historical cost	86,437	326,421	**412,858**
Accumulated amortization and impairment losses	(64,883)		**(64,883)**
NET BOOK VALUE	**21,554**	**326,421**	**347,975**
At 31 December 2019			
Historical cost	91,730	326,421	**418,151**
Accumulated amortization and impairment losses	(71,158)		**(71,158)**
NET BOOK VALUE	**20,573**	**326,421**	**346,994**

Other intangible assets, amounting to Euro 20,573 thousand at 31 December 2019, mainly consist of investments in software carried out as part of the projects aimed at upgrading and enhancing the corporate information systems. The additions from acquisitions for the year (Euro 5,294 thousand) were due almost entirely to the investments in software used in the corporate IT systems.

Software purchase costs are amortised on a straight line basis over their expected useful life of 5 years .

Backlog, stated among other intangible assets, amounted to Euro 2,634 thousand at 31 December 2019 (Euro 2,873 thousand at 31 December 2018).

At 31 December 2019 goodwill amounted to Euro 326,421, without reporting any changes during 2019.

Amortization allowances for the year amounted to Euro 6,257 thousand compared to Euro 6,360 thousand in the previous year. During the year, neither revaluation nor impairment of intangible assets were recognized.

The table below shows the changes in intangible assets in the year ended 31 December 2018.

	Other intangible assets	Goodwill	Total
At 1 January 2018, net of accumulated amortization and impairment	**21,611**	**293,238**	**314,849**
Additions from business combinations	(252)	33,183	**32,931**
Additions from acquisitions	6,595		**6,595**
Disposals	(40)		**(40)**
Amortization for the year	(6,360)		**(6,360)**
At 31 December 2018	**21,554**	**326,421**	**347,975**
At 1 January 2018			
Historical cost	80,311	293,238	**373,549**
Accumulated amortization and impairment losses	(58,700)		**(58,700)**
NET BOOK VALUE	**21,611**	**293,238**	**314,849**
At 31 December 2018			
Historical cost	86,437	293,238	**379,675**
Accumulated amortization and impairment losses	(64,883)	33,183	(31,700)
NET BOOK VALUE	**21,554**	**326,421**	**347,975**

7. IMPAIRMENT TEST OF GOODWILL

Pursuant to IAS 36, goodwill is not amortised, but is tested for any possible impairment on an annual basis, or more frequently, should specific events or circumstances arise which provide evidence of an impairment loss. The impairment test, prepared by the Management and presented to the Board of Directors at the time of the approval of the draft financial statements, was carried out through the comparison between the net book value and the recoverable value of the individual CGUs/SBUs.

The cash flows of the CGU Facility Management, used for the impairment test were taken from the Business Plan approved by the Board of Directors' meeting of Rekeep S.p.A. held on 24 March 2020.

The estimated value in use of Facility Management CGU is based on the following assumptions:

- the expected future cash flows, for the period from 2020 to 2024, extrapolated from the Business Plan, are derived from projected cash flows obtained through:
  - determination of the value of the forecast gross margins according to the projection of the backlog of existing service contracts, augmented by the assumption of renewals and new portfolio acquisitions;
  - estimates of changes in Net Working Capital estimated on the basis of the target days of stock rotation, the payment of amounts due and collection of receivables;
  - assumptions of investments consistent with the trend in forecast revenues in the various business sectors in which the Group operates;

- a terminal value used to estimate future results beyond the time horizon expressly considered. The terminal value was determined by applying a NOPLAT equal to 2024 EBIT adjusted by the average expected depreciation and amortization and investments, net of a nominal tax rate. As regards long-term growth rates an assumption of 1% was considered;
- the expected future cash flows were discounted back at a discount rate (WACC) of 7.51% (2018: 8.16%). The WACC was determined by using the Capital Asset Pricing Model ("CAPM"), by which the risk-free rate was calculated with reference to the curve of the rates of return of Italian long-term government bonds, while the non-diversifiable systematic risk ratio (βeta) and the debt/equity ratio were extrapolated from the analysis of a group of comparable companies operating in the European facility management. In addition, in order to reflect the uncertainty of the current economy and the future market conditions, the cost of the equity component of the WACC rate was increased with a risk premium of 200 basis points in each period of time.

For all CGUs under consideration, the analysis confirmed that the recoverable value exceeds the associated carrying amount, therefore not requiring any write-downs. On a prudential basis, "Worst Case" scenarios were outlined with reference to the WACC, the growth rates applied and a deterioration in operating cash flows compared to forecasts, both with reference to the plan time frame and with reference to the terminal value. In simulating nil or negative growth rates, also in combination with WACC exceeding by two percentage points those applied (and, then, equal to 9.51%) there would be no need to make write-downs in both CGUs/SBUs, as the recoverable value would exceed the related book value .

8. INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

The Company directly holds some equity investments in subsidiaries, joint ventures and associates which are valued at cost in the financial statements.

The table below summarises the information regarding their name, registered office and the amount of share capital held, corresponding to the percentage of votes held at shareholders' meetings, as at 31 December 2019:

DIRECTLY-CONTROLLED COMPANIES ***Name***	**Registered office**	**Ownership %**
Alisei S.r.l. in liquidation	Modena (MO)	100%
Co.Ge.F. Soc.Cons. a r.l.	Zola Predosa (BO)	80%
Consorzio Igiene Ospedaliera Soc.Cons. a r.l.	Zola Predosa (BO)	66.66%
Consorzio Imolese Pulizie Soc. Cons. r.l. in liquidation	Imola (BO)	60%
Consorzio Sermagest Servizi Manutentivi Gestionali in liquidation	Rome (RM)	60%
Consorzio Servizi Toscana Soc.Cons. a r.l.	Zola Predosa (BO)	60%

DIRECTLY-CONTROLLED COMPANIES *Name*	Registered office	Ownership %
Energy Saving Valsamoggia S.r.l.	Zola Predosa (BO)	63%
Ferraria Soc. Cons. a r.l.	Zola Predosa (BO)	69%
Global Oltremare Soc. Cons. a r.l.	Zola Predosa (BO)	60%
Gymnasium Soc.Cons. a r.l. in liquidation	Zola Predosa (BO)	68%
H2H Facility Solutions S.p.A.	Zola Predosa (BO)	100%
ISOM Gestione Soc. Cons. a r.l.	Zola Predosa (BO)	53%
ISOM Lavori Soc. Cons. a r.l.	Zola Predosa (BO)	63%
Kanarind Soc. Cons. a r.l.	Zola Predosa (BO)	62%
Logistica Sud Est Soc. Cons. a r.l.	Zola Predosa (BO)	60%
M.S.E. Soc. Cons. r.l. (*)	Zola Predosa (BO)	45%
MCF Servizi Integrati Soc. Cons. a r.l.	Zola Predosa (BO)	60%
Palmanova servizi energetici Soc.Cons. a r.l.	Zola Predosa (BO)	60%
Rekeep Digital S.r.l.	Zola Predosa (BO)	100%
Rekeep Rail S.r.l.	Zola Predosa (BO)	100%
Rekeep World S.r.l.	Zola Predosa (BO)	100%
S.AN.CO. Soc. Cons. a r.l.	Bologna (BO)	100%
S.AN.GE Soc. Cons. a r.l.	Milan (MI)	89%
S.I.MA.GEST2 Soc. Cons. r.l. in liquidation	Zola Predosa (BO)	90%
S.I.MA.GEST3 Soc. Cons. r.l in liquidation	Zola Predosa (BO)	90%
San Gerardo Servizi Soc. Cons. a r.l.	Zola Predosa (BO)	60%
Servizi Brindisi Soc.Cons. a r.l.	Zola Predosa (BO)	52%
Servizi Ospedalieri S.p.A.	Ferrara (FE)	100%
Servizi Taranto Soc. Cons. a r.l.	Zola Predosa (BO)	60%
Sicura S.p.A.	Vicenza (VI)	100%
Telepost S.p.A.	Zola Predosa (BO)	100%
Yougenio s.r.l.	Zola Predosa (BO)	100%

(*) Indirect 11% quota held by Rekeep Digital S.r.l.

JOINT VENTURES *Name*	Registered office	Ownership %
CO. & MA. Società Consortile a r.l.	Tremestieri Etneo (CT)	50%
DUC Gestione Sede Unica Soc.Cons. a r.l.	Zola Predosa (Bo)	49%

JOINT VENTURES *Name*	Registered office	Ownership %
Legnago 2001 Soc.Cons. a r.l.	Zola Predosa (BO)	50%
Servizi Sportivi Brindisi Soc. Cons. a r.l.	Rome	50%
SCAM S.r.l. - Soc.Cons. Adanti Manutencoop a r.l. in liquidation	Zola Predosa (Bo)	50%
Serena S.r.l. in liquidation	Zola Predosa (Bo)	50%

ASSOCIATES *NAME*	Registered office	Ownership %
BGP 2 Soc. Cons. a r.l.	Bologna (BO)	41%
Bologna Gestione Patrimonio Soc. Cons. a r.l.	Bologna (BO)	28%
Bologna Global Strade soc.cons. a r.l.	Sasso Marconi (BO)	59.65%
Bologna Più Soc.Cons. a r.l.	Bologna (BO)	26%
Centro Europa Ricerche s.r.l.	Rome	21%
Como Energia Soc.Cons. a r.l.	Como (CO)	30%
Gestione Strade Soc. Cons. a r.l.	Parma (PR)	25%
Gico Systems S.r.l.	Zola Predosa (BO)	20%
Global Provincia di Rimini Soc.Cons. a r.l. in liquidation	Zola Predosa (Bo)	42%
Global Riviera Soc.Cons. a r.l.	Zola Predosa (Bo)	23%
Global Vicenza soc.cons. a r.l.	Concordia sulla Secchia (MO)	41%
GR.A.AL. Soc. Cons. r.l.	Bologna (BO)	29.926%
Imola Verde e Sostenibile Soc. **Cons. a r.l.**	Borgo Tossignano (BO)	30%
Logistica Ospedaliera Soc. Cons a r.l.	Caltanissetta (CL)	45%
Newco DUC Bologna S.p.A.	Bologna (BO)	25%
Roma Multiservizi S.p.A.	Rome	45%
S.E.I. Energia Soc.Cons. r.l.	Palermo (PA)	49%
Servizi Napoli 5 Soc. Cons. a r.l.	Zola Predosa (Bo)	45%
TOWER Soc. Cons. a r.l. in liquidation	Bologna (BO)	20%

Below are the changes for the year recorded in equity investments in Subsidiaries, Joint Ventures and Associates:

DIRECTLY-CONTROLLED COMPANIES	1 January 2019	Increases	Assignments / Liquidation	Write-downs	Other changes	31 December 2019
Alisei S.r.l. in liquidation	0					0
Co.Ge.F. s. cons. a r.l.	8					8
Consorzio Igiene Ospedaliera s. cons. a r.l.	7					7
Consorzio Imolese Pulizie s.cons.a r.l.	6					6
Consorzio Servizi Toscana s.cons.a r.l.	6					6
Elene Project s.r.l.	152		(152)			0
Energy Saving Valsamoggia S.r.l.	302					302
Ferraria Soc. Cons. a r.l.	7					7
Global Oltremare Soc. Cons. a r.l.	6					6
Gymnasium s.cons.a r.l.	7					7
H2H Facility Solutions S.p.A.	12,771					12,771
Isom Gestione Soc. Cons. a r.l.	5					5
Isom Lavori Soc. Cons. a r.l.	6					6
Kanarind Soc. Cons. a r.l.	6					6
Logistica Sud Est Soc. Cons. a r.l.	6					6
M.S.E. società consortile a r.l.	5					5
MCF Servizi Integrati Soc. Cons. a r.l.	6					6
Palmanova servizi energeticis. cons. a r.l.	6					6
Rekeep Digital s.r.l.	1,510					1,510
Rekeep Rail S.r.l.	2,510			(2,375)	31	166
Rekeep World S.r.l.	895	11,000				11,895
S.AN.CO. Soc. Cons. a r.l.	5					5
S.AN.GE Soc. Cons. a r.l.	9					9
S.I.MA.GEST2 s.cons.r.l. in liquidation	45					45
S.I.MA.GEST3 s.cons.r.l. in liquidation	45					45
San Gerardo servizi soc.cons.	6					6
Servizi Brindisi s.cons. a r.l.	5					5

DIRECTLY-CONTROLLED COMPANIES	1 January 2019	Increases	Assignments / Liquidation	Write-downs	Other changes	31 December 2019
Servizi Ospedalieri S.p.A.	80,570					80,570
Servizi Taranto Soc. Cons. a r.l.	6					6
Sicura S.p.A.	40,142				(40,142)	0
Telepost S.p.A.	7,299					7,299
Yougenio s.r.l.	2,755	2,000		(4,127)		628
TOTAL SUBSIDIARIES	**149,115**	**13,000**	**(152)**	**(6,502)**	**(40,111)**	**115,350**

JOINT VENTURES	1 January 2019	Increases	Assignments / Liquidation	Write-downs	Other changes	31 December 2019
Cardarelli Soc. Cons. a r. l.	6		(6)			0
CO. & MA. Società Consortile a r.l.	5					5
Duc Dest sede unica Soc. Cons.a r.l.	10					10
Legnago 2001 Soc. Cons a r.l.	5					5
SCAM società consortile r.l.	10					10
Serena s.r.l.	8					8
Servizi Sportivi Brindisi Soc. Cons. a r.l.	5					5
TOTALE JOINT-VENTURES	**49**	**0**	**(6)**	**0**	**0**	**43**

ASSOCIATES	1 January 2019	Increases	Assignments/ Liquidation	Write-downs	Other changes	31 December 2019
BGP 2 Soc.Cons. a r.l.	24					24
Bologna Gestione Patrimonio Soc. Cons. a r.l.	6					6
Bologna Global Strade Soc.Cons. r.l.	57	4				61
Bologna Multiservizi Soc. Cons.a r.l.	4		(4)			0
Bologna più Soc. Cons. a r.l.	5					5
Centro Europa Ricerche s.r.l.	69					69
Como Energia Soc. Cons. a r.l.	78					78

ASSOCIATES	1 January 2019	Increases	Assignments/ Liquidation	Write-downs	Other changes	31 December 2019
Gestione Strade Soc. Cons. r.l.	13					13
Gico Systems S.r.l.	29					29
Global Prov.Rimini Soc. Cons. a r.l.	4					4
Global Riviera Soc. Cons. a r.l.	7					7
Global Vicenza Soc.Cons. a r.l.	4					4
GR.A.AL. Soc. Cons. r.l.	3					3
Imola Verde e Sostenibile Soc. Cons. a r.l.	0	6				6
Livia Soc. Cons. a r.l.	3		(3)			0
Logistica Ospedaliera Soc. Cons a r.l.	5					5
Newco Duc Bologna S.p.A.	1,004					1,004
Roma Multiservizi S.p.A.	3,324					3,324
S.E.I. Energia Soc.Cons. a r.l.	5					5
Savia Soc.Cons. a r.l.	2		(2)			0
Servizi Napoli 5 Soc. Cons. a r.l.	5					5
Tower soc. cons. r.l.	20					20
TOTAL ASSOCIATES	**4,670**	**10**	**(9)**	**0**	**0**	**4,671**

TOTAL SUBSIDIARIES, JOINT-VENTURES, ASSOCIATES	**153,834**	**13,010**	**(167)**	**(6,502)**	**(40,111)**	**120,064**

The main changes which occurred during the year are as follows:

Yougenio S.r.l.

The increase of Euro 2,000 thousand relates to the payment for an increase in capital reserve, as per the resolution passed by the Board of Directors' meeting held on 14 November 2019. A write-down of the investment, amounting to Euro 4,127 thousand, equal to the operating loss regarded as permanent and not recoverable, was also accounted for at 31 December 2019.

Rekeep World S.r.l.

The increase of Euro 11,000 thousand relates to an increase in capital reserve, as per the resolution passed by the Board of Directors' meeting held on 14 November 2019, aimed at supporting the subsidiary's investments in foreign companies.

Rekeep Rail S.r.l.

The increase of Euro 31 thousand relates to additional costs on the contribution of the business unit in 2018. A write-down of the investment, amounting to Euro 2,375 thousand, equal to the operating loss regarded as permanent and not recoverable, was also accounted for at 31 December 2019.

Elene Project S.r.l.

On 12 December 2019 Rekeep S.p.A. transferred 61% of the investment held in Elene Project S.r.l. to MFM Capital S.r.l. for a consideration of Euro 163 thousand. A minority interest of 1% was maintained, the value of which (Euro 2 thousand) was, therefore, reclassified to "Other investments".

Sicura S.p.A.

On 13 February 2020 the binding agreement was signed for the sale of the total share capital of Sicura S.p.A. to Argos Wityu, a pan-European Private Equity fund. The transfer of the investment was executed on 28 February 2020 for a consideration equal to Euro 55,041 thousand. In accordance with IFRS5, the value of the interest held in Sicura S.p.A. (equal to Euro 40,142 thousand) was reclassified to "Assets held for sale" at the reporting date of the Separate Financial Statements at 31 December 2019. Given a market value that is recognized as higher than the carrying amount of the investment itself, no impairment has been reported for fair value adjustments.

Imola Verde e Sostenibile Soc. Cons. a r.l.

The company was established on 6 September 2019 for the performance of the work concerning public landscaping in the Municipality of Imola. Rekeep S.p.A. holds an interest of 60% in the quota capital (Euro 6 thousand), of which 50% was paid during the year.

Finally, the liquidation procedures of the following companies were completed during the year:

- Cardarelli Soc. Cons. a r. l.;
- Bologna Multiservizi Soc. Cons. a r. l.;
- Livia Soc. Cons. a r. l.;
- Savia Soc. Cons. a r. l..

Other investments

	31 December 2019	31 December 2018
Other investments	4,695	4,644
TOTAL	**4,695**	**4,644**

Investments in companies in which the Company has no significant or controlling interests were acquired for strategic/production purposes. There are also investments in National Cooperative Consortia, as well as investments in production sites, or in other minor activities such as industrial laundering services, performed by minor companies that may also act as sub-contractors.

This item was valued at purchase or establishment cost since there is no active market in these securities, which for the most part cannot be freely transferred to third parties due to limitations and covenants preventing their free circulation. In any case, this valuation method provides an adequate measure of the security's fair value.

The change, with respect to the previous year, mainly refers to:

- an increase equal to 45 thousand for an increase in capital reserve of MFM Capital S.r.l.;
- the payment of the quotas of Consorzio Stabile CMF (Euro 1 thousand) and Consorzio B-Rex – Big Data Innovation and Research (Euro 4 thousand) consortiums;
- an increase equal to 2 thousand for the reclassification of the 5% quota in Elene Project S.r.l., after the disposal of the controlling interest to MFM Capital S.r.l., as described above.

9. NON-CURRENT FINANCIAL ASSETS

The table below sets forth the breakdown of non-current financial assets at 31 December 2019 and at 31 December 2018:

	31 December 2019	31 December 2018
Loans to Group companies	26,963	27,435
Loans to third parties	232	172
Other financial assets	2,994	3,138
TOTAL NON-CURRENT FINANCIAL ASSETS	**30,188**	**30,745**

The balance is mainly composed of loans granted to associate and affiliate companies. Some of these are non-interest bearing loans as they are disbursed pro-quota by each member of the consortium and, therefore, they are discounted on the basis of their expected residual term, applying as the reference interest rate the Eurirs plus a spread. The nominal value of non-interest bearing loans at year-end amounted to Euro 1,321 thousand, while the discount fund amounted to Euro 40 thousand.

In particular, the item includes the subordinated loan in favour of the subsidiary Servizi Ospedalieri S.p.A. (Euro 24 million at 31 December 2019), as well as the long-term receivable, equal to Euro 2,357 thousand, relating to the deferred price paid for the transfer of MFM Capital S.r.l. to 3i European Operational Projects SCSp in 2018. This receivable will be collected upon the completion of the phases of implementation of some project finance companies subject to transfer .

The changes compared to the previous year were mainly attributable to :

- a decrease of Euro 694 thousand in the interest-bearing loan granted to Elene Project S.r.l., as a result of its transfer to MFM Capital S.r.l., net of an additional payment of Euro 130 thousand during the year;
- an increase equal to Euro 60 thousand for the disbursement of a non-interest bearing loan to Consorzio Stabile CMF.

10. OTHER NON-CURRENT ASSETS

	31 December 2019	31 December 2018
Receivables for caution money	96,057	1,236
Other prepaid expenses	1,053	843
Other receivables	205	283
TOTAL OTHER NON-CURRENT FINANCIAL ASSETS	**97,315**	**2,362**

Other non-current assets mainly consist of security deposits related to certain commercial contracts, of prepaid expenses on long-term insurance policies and loans granted to employees.

As at 31 December 2019, the item included the receivable of Euro 94,611 thousand the Company had reported against an entry of the payable for the payment of the deposit relating to the fine imposed on it by the Competition Authority in relation to the Consip FM4 Tender (referred to in note 21 ”Contingent liabilities below”). Even while pending the proceedings on the merits, the hearing of which is set for 6 May 2020, the Company took steps to recognize the liability arising from the notice of payment issued by the Revenue Agency – Collection among “Other current liabilities” in the Statement of Financial Position for the corresponding amount (Euro 94,611 thousand). This liability will be paid off upon the payment of the 72 instalments set in the plan of instalment payment of notice itself, according to the methods set out and until the Company’s appeal is possibly granted within the pending proceedings. Furthermore, the deposit was stated among non-current balance sheet assets, since it constitutes a receivable against sums that are potentially subject to return following the settlement of the existing dispute (however, the time required for the judgment to become final cannot be estimated at present) and that cannot however be claimed automatically, even following the repayment of the entire debt.

11. INVENTORIES

	31 December 2019	31 December 2018
Raw materials (at cost)	818	642
TOTAL	**818**	**642**

The final inventory of raw materials is composed of materials present in the warehouses, while waiting to be used at work sites, valued at the average weighted purchase cost and stocks of fuel in tanks belonging to customers that entrusted the Company with heat management services.

12. TRADE RECEIVABLES AND ADVANCES TO SUPPLIERS

Trade receivables net of discount and depreciation funds are broken down as follows:

	31 December 2019	of which from related parties	31 December 2018	of which from related parties
Trade receivables, gross	222,603	552	253,905	22
Allowance for doubtful accounts	(21,253)		(23,165)	
Advances to suppliers	6,488		4,688	
Trade receivables from third parties	**207,838**	**552**	**235,429**	**22**
Contract assets	26,355		24,140	
Contract assets	**26,355**		**24,140**	
Trade receivables from Parent Companies	43	43	85	85
Trade receivables from subsidiaries	42,319	42,319	35,257	35,257
Trade receivables from **Joint Ventures**	4,276	4,276	4,124	4,124
Trade receivables from associates	8,344	8,344	8,872	8,872
Trade receivables from **affiliates**	18	18	32	32
Trade receivables from the Manutencoop Group	**55,000**	**55,000**	**48,371**	**48,371**
TRADE RECEIVABLES AND ADVANCES TO SUPPLIERS	**289,193**	**55,552**	**307,940**	**48,392**

The balance of trade receivables and advances to suppliers, which also includes contract assets, amounted to Euro 289,193 thousand at 31 December 2019, showing a decrease of Euro 18,747 thousand compared to the amount at 31 December 2018, equal to Euro 307,940 thousand.

The change is mainly due to the decrease in gross trade receivables, which amounted to Euro 222,603 thousand at 31 December 2109 (31 December 2018: Euro 253,905 thousand), against the related adjustment provisions that showed a balance of Euro 21,253 thousand at 31 December 2019 (31 December 2018: Euro 23,165 thousand).

The Company signed contracts for the assignment without recourse of trade receivables in the 2018 and 2019 financial years. In particular, on 27 December 2018 Rekeep S.p.A. and Servizi Ospedalieri S.p.A. signed a new a 3-year maturity factoring agreement with Bancafarmafactoring S.p.A (which replaces the previous one signed in 2016) concerning the assignment on a revolving basis of receivables claimed by the same companies from Entities in the National Health System and Public Authorities, in an amount of up to Euro 200 million.

On 27 June 2018, the Company signed an additional uncommitted factoring agreement with Banca IFIS, intended for the assignment without recourse of trade receivables specifically accepted for the individual transactions carried out.

On 18 December 2018, the Company obtained an additional credit line for assignments without recourse of up to Euro 20 million on a revolving basis with Unicredit Factoring S.p.A., which was also aimed at the disinvestment of credit positions specifically negotiated with the factor.

Finally, an uncommitted factoring agreement was signed with Carrefour Italia Finance S.r.l. concerning the assignment without recourse of trade receivables claimed from the Carrefour Group companies on 22 March 2019 and an additional uncommitted agreement with MB Facta was signed for the assignment without recourse of trade receivables claimed from the Telecom Group on 4 December 2019.

The assignments without recourse, mentioned above, are summarised below :

	Assignments made in 2019	balance not yet collected by the Factor at 31 December 2019	Assignments made in 2018	balance not yet collected by the Factor at 31 December 2018
Banca Farmafactoring S.p.A.	120,541	38,543	86,584	37,997
Banca IFIS	3,729	3,293	29,520	2,476
Unicredit Factoring	4,486	4,486	6,095	6,095
Carrefour Finance	3,045	1,058		
MB Facta	4,967	4,705		
Total assignment of receivables without recourse	**136,769**	**52,085**	**122,199**	**46,568**

In all assignments, the receivables were subjected to derecognition according to IFRS 9 in consideration of the characteristics of the transactions and entailed interest discount costs equal to Euro 2,749 thousand.

Trade receivables generally have contractual maturities of between 30 and 90 days. Most of the customers are either Public Authorities, Local Authorities, Local Health Authorities and Hospitals, who are notorious for payment delays.

With respect to non-performing loans which are difficult to fully recover, a specific write-down provision was set aside, amounting to Euro 21,253 thousand at 31 December 2019 (at 31 December 2018: Euro 23,165 thousand), which is regarded as fair with respect to known disputes at the balance sheet date.

	31 December 2018	Increases	Uses	Releases	Others	31 December 2019
Provision for bad debts	23,164	2,023	(2,828)	(625)	(481)	21,253

"Other changes" include the release relating to default interest to customers (Euro 245 thousand).

For details on the terms and conditions relating to receivables from related parties, reference should be made to note nota 36.

The table below shows the analysis of trade receivables due from third parties net of the write-down provision in place as at 31 December 2019:

	Total	Trade receivables reaching maturity	Overdue trade receivables				
			< 30 days	30 - 60 days	60 - 90 days	90 - 120 days	beyond 120 days
31 December 2019	201,350	156,603	9,203	4,356	3,651	2,261	25,277
31 December 2018	225,192	164,304	15,113	8,363	5,470	2,448	29,494

On the basis of the historical performance of the debtors, the incidence of the credit risk is low, while the risk of delayed payment is higher given that said receivables are predominantly due from Public Authorities.

13. OTHER CURRENT ASSETS

	31 December 2019	31 December 2018
Receivables due from employees	101	168
Advances to suppliers	1,388	1,659
Due from social security institutions	76	289
Due from parent company	6	9
Due from subsidiaries	530	259
Due from associates	88	25
Due from affiliates	0	23
Due from INPDAP	2,172	2,173
Due from INAIL	1,084	795

	31 December 2019	31 December 2018
Due for VAT	6,338	3,870
Sundry receivables from others	3,648	3,196
Due from tax authorities	331	331
Tax credit to be offset	1,035	304
OTHER CURRENT ASSETS	**16,798**	**13,100**

The amount of Euro 2,173 thousand reported for amounts "due from INPDAP" refers to the balance of current accounts held at Unicredit, managed in the name and on behalf of INPDAP (Social Security Institution for employees in public administration), as provided for in a property contract stipulated with the aforementioned authority by the company B.S.M. S.r.l., merged in 2006. At present some restrictions have been placed on said accounts as a result of the dispute that has arisen with INPDAP. Therefore, for the purposes of an accurate presentation, it was deemed appropriate to classify said item under *Other current receivables* rather than among cash and cash equivalents.

It should be noted that miscellaneous receivables are recognized net of the provision for doubtful accounts of Euro 1,595 thousand, which did not report any change during 2019 and was allocated following a specific analysis of these accounts receivable.

The main change, compared to the previous year, relates to the item "Due for VAT", which increased by Euro 2,468 thousand. Following the annual VAT return filed, refunds were requested for Euro 5,800 thousand on 24 April 2019 and for Euro 15,023 thousand during the year for VAT credits accrued on a quarterly basis. All credit balances were transferred to Banca Farmafactoring S.p.A..

Finally, tax credits for Euro 48 thousand were recognized in the year relating to a number of research projects, which were started in the year, in order to improve the company business and the delivery of services. These research projects meet the requirements laid down in Law no. 190 of 23 December 2014 (Article 1, paragraph 35), as partly amended by Law no. 232 of 11 December 2016 (Article 1, paragraphs 15 and 16), as well as in the Implementing Provisions under a Decree issued by the Ministry of Economy and Finance in agreement with the Ministry of Economic Development on 27 May 2015 and fall within the scope of the parameters set out in the Communication from the Commission (2014/C 198/01) of 27 June 2014, which was published in the Official Journal C/198 of 27 June 2014. These regulations provide for a tax credit for investments made from 1 January 2015 to 31 December 2020 in relation to the expenses incurred in excess of the average of the same investments made in the three tax periods for the financial years 2012, 2013 and 2014, to an extent of 50% of the total incremental expense.

14. CURRENT FINANCIAL ASSETS

	31 December 2019	31 December 2018
Global Provincia Rimini Soc. Cons. a r.l.	70	70
Consorzio Imolese Pulizie Soc. cons. a r.l.	36	36
Gymnasium Soc.cons. a r.l.	8	8
Gestlotto6 Soc.cons. a r.l.	5	5
Bologna Più Soc. Cons. a r.l.	3	3
Intercompany receivables from companies in liquidation	**122**	**122**
Servizi Ospedalieri S.p.A.	776	2,289
S.AN.GE Soc. Cons. a r.l.	4,654	4,503
Rekeep World s.r.l.	11,049	6,229
E-Digital Services s.r.l.	3,747	747
Yougenio s.r.l.	3,331	531
Rekeep Rail s.r.l.	0	10
Receivables from intercompany financial current accounts	**23,556**	**14,310**
Karabak Soc. Cons. a r.l.	4	4
Dividends to be collected	**4**	**4**
Receivables from the transfer of the RAIL Business Unit	**0**	**1,589**
Receivables from the transfer of equity investments	**1,408**	**2,650**
Receivables from others	**176**	**913**
TOTAL CURRENT FINANCIAL ASSETS	**25,265**	**19,587**

Current accounts held with Group Companies are mainly classified in this item, according to which the financial relations are settled. The balance in these accounts accrues interest at the 3-month or 6-month Euribor plus a spread; it is repayable on demand and expires on an annual basis, except where tacitly renewed.

The item “current financial assets” came to Euro 25,265 thousand. The change during the year was mainly due to:

- a decrease of Euro 1,514 thousand in the balance of the intercompany current financial account held with subsidiary Servizi Ospedalieri S.p.A.;
- an increase of Euro 4,820 thousand in the balance of the intercompany current financial account held with subsidiary Rekeep World S.r.l.;
- an increase of Euro 3,000 thousand in the balance of the intercompany current financial account held with subsidiary Rekeep Digital S.r.l.;
- an increase of Euro 2,800 thousand in the balance of the intercompany current financial account held with subsidiary Yougenio S.r.l.;
- a receivable was collected for Euro 1,589 thousand during the year on the transfer of the business unit to Rekeep Rail S.r.l., which took place on 1 November 2018;

- a decrease of Euro 1,242 thousand in "Receivables from the transfer of equity investments", which was recognized in 2018 against the transfer of certain investments on project finance companies to 3i European Operational Projects SCSp. In 2019, amounts of Euro 242 thousand on 27 June 2019 and Euro 1,000 thousand on 30 December 2019 were collected upon the fulfilment of future contract conditions linked to the achievement of certain levels of performance of the individual project companies subject to transfer.

15. CASH AND CASH EQUIVALENTS

	31 December 2019	31 December 2018
Bank deposits on demand and cash on hand	44,087	57,547
Consortia - financial current accounts	20,566	5,832
TOTAL CASH AND CASH EQUIVALENTS	**64,654**	**63,379**

Bank deposits accrue interest at the respective short-term interest rates.

Some financial current accounts are in place with some national consortia, such as Consorzio Cooperativo Finanziario Per Lo Sviluppo (C.C.F.S.), Consorzio Nazionale Servizi (C.N.S.) and Consorzio Integra, having the nature of available current accounts on which interest accrues. The fair value of cash and cash equivalents is Euro 65,654 thousand (31 December 2018: Euro 63,379 thousand).

16. ASSETS HELD FOR SALE

On 13 February 2020 the binding agreement was signed for the sale of the total share capital of Sicura S.p.A. to Argos Wityu, a pan-European Private Equity fund. The transfer of the investment was executed on 28 February 2020 for a consideration equal to Euro 55,041 thousand, which was paid by the Italian Company AED S.r.l.. In accordance with IFRS5, the value of the interest held in Sicura S.p.A. (equal to Euro 40,142 thousand) was reclassified to "Assets held for sale" at the reporting date of the Separate Financial Statements at 31 December 2019. Given a market value that is recognized as higher than the carrying amount of the investment itself, no impairment has been reported for fair value adjustments.

17. SHARE CAPITAL AND RESERVES

	31 December 2019	31 December 2018
Share Capital – Ordinary shares	109,150	109,150

Ordinary shares have a nominal value of Euro 1 each.

Ordinary shares issued and fully paid up at 31 December 2019 amounted to 109,149,600. The Company does not hold own shares.

Reserves and Retained Earning

The table below shows changes in shareholders' equity reserves :

	Share premium reserve	Legal Reserve	Other reserves	Total reserves	Retained profit/losses
At 1 January 2018	**145,018**	**19,704**	**21,837**	**186,559**	**3,809**
Allocation of profits of previous years		420	7,988	**8,408**	
Economic effects accounted on equity			(444)	**(444)**	
Accounting effects of the merger of CMF S.p.A			(198,261)	**(198,261)**	
Increase in reserves from Parent Company			49,700	**49,700**	
At 31 December 2018	**145,018**	**20,124**	**(119,181)**	**45,962**	**3,809**
Effects of the change in accounting standards			(1,635)	**(1,635)**	
At 1 January 2019	**145,018**	**20,124**	**(120,816)**	**44,326**	**3,809**
Allocation of profits of previous years		799	15,173	**15,971**	
Economic effects accounted on equity			(414)	**(414)**	
Resolution on dividend distribution		907	(13,907)	**(13,000)**	
At 31 December 2019	**145,018**	**21,830**	**(119,964)**	**46,884**	**3,809**

In 2019 "Other reserves" include the accounting effects originated following the adoption of the new IFRS 16 – Leases, using the "Modified retrospective approach", providing for the retrospective application to the agreements previously classified as "operating leases", recognising the cumulative effects of this transition upon first-time adoption as an adjustment to the balance of equity reserves at 1 January 2019 (negative for Euro 1,635 thousand).

Nature and purpose of reserves

				Summary of uses in 3 previous years	
NATURE/DESCRIPTION	Amount	Possibility of use	Amount available	For covering losses	For other reasons
Share Capital	**109,150**				
Share Capital Reserves:					
- Share premium reserve	145,018	**A,B,C**	145,018		
Profit reserves:					
- Legal Reserve	21,830	**A,B**	21,830		
- Extraordinary Reserve	38,226	**A,B,C**	38,226		**13,000**
- Other reserves	(158,190)				
- Profits/-Losses carried forward	3,809	**A,B,C**	3,809		
- Profits/-Losses for the year	5,741				
TOTAL	**165,584**				
Non-distributable portion	130,980				
Remaining distributable portion	34,604				
KEY					
Possibility of use:					
A: for share capital increase					
B: to cover losses					
C: for distribution to shareholders					

18. EMPLOYEE TERMINATION INDEMNITY (TFR)

The Company has no proper defined benefit pension plans. However, the ESI provision set forth by art. 2120 of the Civil Code, from the point of view of recognition in the financial statements falls under the defined benefit plans category.

Details of the net cost of the benefit, included in personnel costs, are shown below.

	31 December 2019	31 December 2018
Interest expenses on benefit obligation	123	132
Net cost of the benefit recognized through profit or loss	**123**	**132**

	31 December 2019	31 December 2018
Net actuarial (gains)/ losses recognized in equity	414	(131)
TOTAL NET BENEFIT COST	**537**	**1**

The financial costs of the obligation, social security costs and the curtailment are accounted for under personnel costs, while actuarial gains and losses are entered, as already specified, directly under an equity reserve.

Changes in the present value of the obligation for defined benefits (ESI) are as follows:

	31 December 2019	31 December 2018
Opening balance of the present value of the defined benefit obligation	**7,071**	**8,217**
Increases/ (decreases) for business combinations	0	(30)
Increases/ (decreases) for transfer	(6)	(14)
Benefits paid	(874)	(1,103)
Interest expenses on benefit obligation	123	132
Net actuarial gains (losses) recognized in the year	414	(131)
CLOSING BALANCE OF THE PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATION	**6,728**	**7,071**

The main assumptions used in determining the obligation relating to employee termination indemnity are illustrated below:

	2019	2018
Discount rate	0.37%	1.80%
Inflation rate	1.00%	1.50%
Turnover	6.50%	11.50% before the age of 50- 1.50% after the age of 50

The discount rates used to assess the TFR obligation are defined on the basis of curves of rates of return of high-quality fixed-interest securities, the amounts and maturity dates of which correspond to the amounts and maturity dates of the payments of expected future benefits.

The estimated turnover rate varies according to the age of the participant in the plan, which is assumed as an average data on the basis of the composition of the population.

The effects on the TFR obligation from the increasing or decreasing measurement of the financial rates in relation to reasonably possible changes in interests rates and in the assumptions of average duration of the working population, while maintaining all the other variables unchanged, are illustrated below.

	Discount rate	Inflation rate	Actuarial assumptions
Financial year ended 31 December 2019	+ 0.25 bps	+ 0.25 ppt	+ 2.00 ppt
	6,637	6,827	6,682
	- 0.25 bps	- 0.25 ppt	- 2.00 ppt
	6,880	6,688	6,830

Below are reported the data relating to the average number of the Group's employees and of the workers provided to the Company by Manutencoop Società Cooperativa:

	2019	2018
Executives	31	34
Office workers	637	689
Manual workers	12,562	13,471
Average number of Employees	**13,230**	**14,194**

In 2019 the average number of leased personnel employed, including those shown in the table below, was equal to no. 356 (no. 386 in 2018).

19. PROVISIONS FOR RISKS AND CHARGES

The breakdown of the provisions for risks and charges in 2019 is shown below:

	Risks on job orders	Pending disputes	Investments risks	Tax disputes	Employee legal disputes	Other provision for risks and charges	Total
At 1 January 2019	**4,121**	**19,300**	**463**	**478**	**3,185**	**981**	**28,530**
Accruals	1,365	35			1,868	214	3,482
Uses	(579)		(62)	(31)	(1,720)	(891)	(3,284)

	Risks on job orders	Pending disputes	Investments risks	Tax disputes	Employee legal disputes	Other provision for risks and charges	Total
Releases	(560)	(10)					(570)
Others							0
At 31 December 2019	**4,346**	**19,325**	**401**	**447**	**3,333**	**304**	**28,157**
Current 2019	*4,346*		*401*	*447*		*255*	*5,450*
Non-current 2019		*19,325*			*3,333*	*49*	*22,707*
At 31 December 2019	***4,346***	***19,325***	***401***	***447***	***3,333***	***9,304***	***28,530***
Current 2018	*4,069*		*463*	*478*		*933*	*5,944*
Non-current 2018	*52*	*19,300*			*3,185*	*49*	*22,586*
At 31 December 2018	***4,121***	***19,300***	***463***	***478***	***3,185***	***982***	***28,530***

Provision for risks on job orders

The provision of Euro 1,365 thousand is to cover risks relating to certain job orders in progress for charges that are likely to be incurred, against customer disputes. The provisions made represent the best estimate on the basis of knowledge possessed at the reporting date.

The use of the provision, equal to Euro 579 thousand, mainly relates to penalties imposed by some customers in the Healthcare sector, in addition to work contracts in the field of public transport.

Provision for pending disputes

At the reporting date of the financial statements, the risk was assessed for the Company to be required to pay future compensation in the event of losing cases in legal actions pending with customers, suppliers, employees and others. During the year ended 31 December 2019 the provision, totalling Euro 19,325 thousand, recorded increases for accruals to provisions of Euro 35 thousand and decreases for reversals of Euro 10 thousand.

On 20 January 2016 the Competition Authority (the “Authority”) considered that it had found a breach of competition rules on the part of some companies which had taken part in a European Union tender for cleaning services in school buildings called by CONSIP in 2012 and levied a fine initially equal to Euro 48,510 thousand against the Parent Company Rekeep S.p.A. (formerly: Manutencoop Facility Management S.p.A.). On 14 October 2016 the Lazio Regional Administrative Court ruled by partially granting the appeal filed by Rekeep S.p.A. and referring the papers to the Authority for a new calculation of the fine. Rekeep S.p.A. challenged the trial judgment before the Council of State and, subsequently, before the Supreme Court, which declared the appeal finally inadmissible on 18 January 2019. Furthermore, on 23 December 2016 the Authority executed the Lazio Regional Administrative Court’s ruling and published a new order, recalculating the fine at Euro 14,700 thousand. This order was also challenged before the Lazio Regional Administrative Court and the Company is waiting for the hearing to be set.

The Company is regularly paying this fine, for which the payment was obtained in 30 monthly instalments at the legal interest rate. The debt was fully paid off during 2019.

As a result of the Competition Authority fine ruling, on 4 February 2016 Consip S.p.A. initiated a procedure to terminate the Agreements entered into within the tender in question, also informing the Company that it would consider the possibility of excluding it from future tenders for "work of the same type" (including pursuant to article 38, paragraph 1, letter f) of Legislative Decree). Furthermore on 23 November 2016 Consip S.p.A. gave Rekeep S.p.A. notice of the final termination of the agreements, expressly stating that it would confiscate the part of the final guarantee deposit (performance bond) which remained after the deposit had been partially released considering the work done normally up to the termination date. It also notified the intention to report the events to the Italian Anti-Corruption Authority (*Autorità Nazionale Anti-Corruzione*, ANAC) and to the Public Prosecutor's Office. On the other hand, on 24 April 2017, Italian Law Decree no. 50 was published on the O.G.: Article 64 (Services in school) of this law decree envisaged the continuation of the acquisition of cleaning services and other auxiliary services until 31 August 2017 for the regions in which the Consip framework agreements "*for cleaning and other services provided in order to keep school buildings and Public Administration training establishments clean and in working order*" (c.d. "Consip Scuole"), have been terminated. In the subsequent Decree Law no. 91 of 20 June 2017, converted with amendments into Law on 3 August 2017 and published on the O.G on 12 August 2017 these services were further extended until 31 December 2017; finally, Article 1, paragraph 687, of Law no. 205 of 27 December 2017 ("2018 Budget Law") provided for these agreements to continue until 30 June 2019, in order to allow the regular performance of educational activities for the 2018-2019 school year.

The Government, under the 2019 Budget Law (Article 1, paragraph 760, of Law no. 145/2018), ordered the re-insourcing of cleaning services in schools, which will be actually carried out for almost all schools from 1 March 2020, through the Ministry of Education, Universities and Research starting a selection procedure aimed at recruiting the staff currently in charge of delivering this service who meet the necessary requirements. Finally, on 2 December 2016 Consip S.p.A. formally notified the Italian Anti-Corruption Authority (*Autorità Nazionale Anti-Corruzione*, ANAC) of its accusations against Rekeep S.p.A., as notified in the notice of termination of the Agreements, together with the intention to make a report to the Public Prosecutor's Office. On 7 January 2017 the Company served a writ of summons on the entity, asking the Ordinary Court of Rome to establish the unlawfulness of the notice of termination of the agreements and order Consip S.p.A. to compensate for any damage suffered by the Company. The next hearing for specifying conclusions has been scheduled on 27 October 2020.

The tender performance bond (initially equal to Euro 24.5 million) might also be partially enforced if the Company loses the case against Consip S.p.A.. ANAC has proceeded with the entry of the contract termination, as well as of the challenge against the same on the part of Rekeep S.p.A. before the Civil Court of Rome and of the filing of an appeal with the Supreme Court against the Council of State's judgment no. 928/2017 in its computerised records. As regards the latter appeal, the Supreme Court declared inadmissible on 18 January 2019. The Company has then filed an appeal with the European Court of the Human Rights to seek compensation for damages arising from the events described above, which was rejected on 14 November 2019.

On 16 June 2017, Consip officially informed Rekeep S.p.A. of its own decision concerning the exclusion of the Company from the tenders for new agreements relating to cleaning services of barracks ("Consip Caserme") and to cleaning services with health service providers ("Consip Sanità"), with the intention also to confiscate, in this last case, the surety given by the Company during

the tender for the amount of approximately Euro 10.4 million (known as "bid bond"). However, on 13 July 2017 and on 14 September 2017 respectively, the Lazio Regional Administrative Court ordered the suspension of the measures of exclusion, deferring the decision on the merits of the appeal to the hearing of 21 February 2018. In this venue the Company had its appeal rejected and, on 10 March 2018, an appeal with the Council of State was served, while submitting a request for precautionary measure from a single-member court and for suspension of the enforcement of the challenged order.

Furthermore, on 30 March 2018 Consip informed Rekeep S.p.A. that it had submitted a request to the competent insurance company to enforce the Company's warranty provided in relation to the Consip Caserme tender. However, the insurance company did not grant the request following the Council of State's decision handed down on 5 April 2018, whereby both the execution of the Lazio Regional Administrative Court's decision on the exclusion of Consip Caserme and Consip Sanità tenders and the related effects (also in relation to the enforcement of sureties) have been suspended and the hearing on the merits of the Company's appeal was held on 28 June 2018. However, by a subsequent order dated 19 July 2018, the Council of State proceeded with the "improper suspension of proceedings", since it considered that the relevant decision within the dispute was that on the preliminary issue pending before the European Court of Justice, which had been raised by the Piedmont Regional Administrative Court on 21 June 2018, as to whether the breach of competition rules fell within the scope of cases of "serious errors committed in professional practice" provided for in Article 38 of the Code of Public Contracts under Legislative Decree 163 of 12 April 2006 ("Old Code of Public Contracts"). The enforcement of the judgment is still suspended, as provided for in the previous order of 5 April 2018. On 2 June 2019, finally, the European Court of Justice ruled on the abovementioned preliminary issue, declaring the breach of competition rules attributable to the case raised by the Piedmont Regional Administrative Court. Accordingly the hearing on the merits before the Council of State has been rescheduled for 16 January 2020; in that venue the Company's appeal was partially rejected, although without knowing the related reasons, for which the Board reserved the right to file grounds. Any assessment of the possible objection against the judgment by extraordinary means of appeal, such as an appeal with the Supreme Court on jurisdictional grounds or an appeal for revocation before the Council of State, will be postponed after having read the reasons for the judgment.

Following the judgment handed down by the Council of State on 16 January 2020, Consip s.p.A. asked the guarantors to enforce the guarantees (bid bonds) provided in the interest of Rekeep for the Consip Sanità tender (equal to Euro 10.4 million) and Consip Caserme (equal to Euro 3.4 million). Rekeep S.p.A., with independent appeals and additional grounds, challenged these measures before the Lazio Regional Administrative Court and obtained a single-member board's Presidential decree suspending them until the hearing to be held on 4 March 2020 before the Regional Administrative Court, which confirmed the suspension until the decision on the merits scheduled for 1 July 2020. In relation to the above-mentioned exclusions, ANAC (*Autorità Nazionale Anti Corruzione*, National Anti-Corruption Authority) decided to open two proceedings concerning its entry in the electronic criminal records of ANAC, as "Useful information". These proceedings were also suspended by ANAC until the outcome on the merits mentioned above and of proceedings for the application of disqualification measures, which have also been suspended.

In the Separate Financial Statements at 31 December 2016, after the Regional Administrative Court's judgment of 14 October 2016, which was confirmed by the Council of State's judgment of 1 March 2017, and which substantially reduced the fine that

had previously been imposed while not accepting the Company's argument that it was completely extraneous to the accusations, the Directors already decided to maintain the provisions for future charges (equal to Euro 17.5 million), also taking account of the risk of enforcement of the abovementioned performance bond and bid bonds and despite the fact that Rekeep S.p.A. could submit sound arguments against the enforcement of the bonds in court.

With reference to the events referred to above, the Directors also point out that, despite a context that is significantly affected by new laws and more restrictive approaches with respect to the previous ones, the Company believes that a risk may actually arise mainly with regard to delays in awarding some tenders attributable to situations of further worsening of the disputes connected with the participation in or the awarding of said tenders. To date the risk of the Company being temporarily excluded from public tenders as a result of an order issued by the ANAC can be reasonably regarded as not probable, above all when considering the data that Rekeep S.p.A. has recorded in relation to measures providing for the exclusion from tenders as a result of the Competition Authority's orders, which at present are four only from the adoption of the Competition Authority's Consip Scuole order (January 2016). As things stand as regards the abovementioned proceedings, there is no impediment for Rekeep S.p.A. to the participation and awarding of new calls for tenders by Consip and, more in general, by the Public Administration, and any other awarding procedure in progress remains absolutely valid. Moreover, on 16 June 2017, Rekeep S.p.A. received official communication from Consip to sign the agreements for the two batches of the "Consip Mies 2" tender relating to the award of an "integrated technology multi-service with energy supply for buildings used by Public Health Administrations": these agreements were formally signed on 20 September 2017 and the procedure to sign the individual supply orders was subsequently started. The Consip Sanità and Consip Caserme tenders did not generate consolidated Revenues until 31 December 2019 and are not included in the Group's backlog at 31 December 2019.

On 6 March 2020 Consip also notified the exclusion from the Consip Musei tender, with the request for enforcement of the related tender guarantee, which was formalised on 13 March 2020, and sending a notice to ANAC whereby it asked the latter to enter the exclusion in its records as "useful information".

Provision for investment risks

The provision for investments risks, amounting to Euro 401 thousand, includes the provision to cover any future losses of Alisei S.r.l. in liquidation in an amount of Euro 87 thousand and S.AN.CO Soc. cons. r.l. in an amount of Euro 314 thousand.

Tax dispute provision

The provision recognized uses for Euro 31 thousand during the year, for charges incurred on pending tax disputes.

Provision for employee legal proceedings

The provision for risks related to employee legal proceedings, amounting to Euro 3,333 thousand, refers to the best estimation of liabilities as at 31 December 2019, which are regarded as probable following the settlement of pending labour law disputes.

Other Provisions for risks and charges

The provision, equal to Euro 304 thousand, includes the best estimate of future charges on some contracts on the basis of the information available as at the reporting date. During the year note an increase of Euro 214 thousand (linked to costs to be incurred on some contracts for objections received from some customers), as well as uses for Euro 891 thousand, mainly as a result of settlement agreements reached with a customer that operates in the healthcare sector.

20. LOANS AND OTHER FINANCIAL LIABILITIES

The items "Non-current loans" and "Loans and other current financial liabilities" include both the non-current and current portion of loans and from other current financial debts.

The details are shown below:

	31 December 2019	within 1 year	after 1 year within 5 years	beyond 5 years
Senior Secured Notes	339,905		339,905	
C.C.F.S. loan	8,889	1,111	7,778	
Artigiancassa loan	1,556	239	1,317	
Debt for the acquisition of investments/business units	6	6		
Current account overdrafts, advance payments and hot money	1	1		
Financial current accounts – Subsidiaries	9,583	9,583		
Financial current account - Manutencoop Società Cooperativa	165	165		
Share capital to be paid into investee companies	3	3		
Prepaid financial expenses	(831)	(509)	(322)	
Accrued financial expenses	1,530	1,530		
Obligations from assignments of receivables with recourse	23,747	23,747		
Due to factoring agencies	2,350	2,350		
Payables for dividends to sole shareholder	13,000	13,000		
Financial liabilities for operating leases	33,055	4,467	15,924	12,663
FINANCIAL LIABILITIES	**432,958**	**55,693**	**364,602**	**12,663**

Below is the breakdown of financial liabilities at 31 December 2018, which do not include "Financial liabilities for operating leases" in accordance with the new accounting standard IFRS16. This liability was recognized with effect from 1 January 2019 and the accounting method used for transition is the "Modified retrospective approach", which does not provide for the accounting

restatement of comparative data. This accounting adjustment should have entailed a liability of Euro 35,857 thousand at 31 December 2018.

	31 December 2019	within 1 year	after 1 year within 5 years	beyond 5 years
Senior Secured Notes	346,475		346,475	
C.C.F.S. loan	10,000		10,000	
Artigiancassa loan	1,676			1,676
Deutsche Bank loan	667	667		
Debt for the acquisition of investments / business units	6	6		
Current account overdrafts, advance payments and hot money	4,192	4,192		
Financial current accounts - Subsidiaries	5,221	5,221		
Financial current account - Manutencoop Società Cooperativa	216	216		
Prepaid financial expenses	(1,061)	(448)	(613)	
Accrued financial expenses	1,688	1,688		
Obligations from assignments of trade receivables with recourse	18,379	18,379		
Due to factoring agencies	8,067	8,067		
FINANCIAL LIABILITIES	**395,527**	**37,989**	**355,862**	**1,676**

Senior Secured Notes

On 6 July 2017, the CMF S.p.A vehicle launched a high-yield bond issue named "*€360,000,000 9.0% Senior Secured Notes due 2022*", which is not convertible and not subordinated, for a total amount on account of principal of Euro 360 million and due 15 June 2022. The Notes, which were reserved for institutional investors and were listed on the Euro MTF segment managed by the Luxembourg Stock Exchange, as well as on the Extra MOT, Pro Segment, of Borsa Italiana, were issued at a price equal to 98% and a coupon at a fixed rate of 9.0% p.a., payable on a six-monthly basis. The terms and conditions referred to in the rules of the Bond Issue are laid down in the Indenture, which is governed by the law of the State of New York. This bond issue was initially deposited by Bank of New York in escrow account, until the release of the same on 13 October 2017.

As required by the Offering Memorandum for the bond issue, on 1 July 2018 the Group completed the merger of CMF S.p.A. by incorporation into its subsidiary Rekeep S.p.A., according to Article 2501-*bis* (merger with debt), thus giving rise to the acquisition directly by Rekeep S.p.A. of the bond issue, together with any related obligations and guarantees described below in this paragraph and in note 35 below.

The rules of the bond issue provide for a system of guarantees and covenants to protect the Bondholders' investment. There are in fact some limitations on the financial operations of the Issuer and of its subsidiaries, while allowing the Group to operate freely, provided that the operations carried out contribute added value and cash flows to the Group, at least potentially. These covenants substantiate in some limitations on the possibility of incurring new indebtedness and making distribution of dividends, investments and some types of payments outside the Restricted Group (restricted payments). Furthermore, there are also rules governing the allocation of sums obtained from the sale of fixed assets, the performance of non-recurring and related-party transactions and the release of collateral on corporate assets to third parties. The covenants in question substantiate in the compliance with certain financial parameters (incurrence base financial covenants), the fulfilment of some conditions or the application of a quantitative limit on the performance of the transactions referred to above rather than in a full prohibition on carrying out the aforesaid transactions. Finally note interim reporting obligations concerning the Group's financial position, results of operations and cash flows. The limits and provisions laid down in the rules of the bond issue are in line with market practice for similar operations. The failure by the Issuer to comply with one or more covenants, in addition to significant events that give rise to a state of insolvency, constitute default events. There is the possibility of remedying most of them within a certain period of time. The default event relating to the state of insolvency or the failure to remedy the other default events constitute grounds for *acceleration*, i.e. the beneficiary's forfeiture of the right to the time limit and the early redemption of the Notes. No default events had occurred and the financial parameters, which are not subject to periodic audits, had been in any case complied with at the reporting date of these Financial Statements.

In early 2019 Rekeep S.p.A. also formalised the purchase of portions of its bond issue on the open market for a nominal total of Euro 10,300 thousand, which were subsequently cancelled. The weighted average repurchase price was less than 85% against a price for the issue equal to 98% at 6 July 2017. These transactions entailed the recognition of financial capital gains, equal to Euro 1,598 thousand, through consolidated profit or loss for the period.

Finally, the upfront fees relating to the issue of the Senior Secured Notes were accounted for according to the amortized cost method, which, in accordance with IFRS 9, entailed, during the first 12 months of 2019, the recognition of financial amortization charges equal to Euro 3,730 thousand, of which an amount of Euro 387 thousand relating to the write-off of the portion relating to the repurchased Notes.

Super Senior Revolving (RCF)

At the same time as the bond issue, CMF S.p.A. also entered, as the Parent Company, into a Super Senior Revolving loan agreement for Euro 50 million ("RCF"), to which Rekeep S.p.A. was a party as Borrower.

The 5-year credit facility (expiring on 15 December 2021) provides for a credit line at sight, in a maximum nominal amount of Euro 50 million, for the entire term. The facility was activated in order to meet temporary cash requirements (if any) and therefore ensures greater financial flexibility. After the merger by incorporation of CMF S.p.A. into the subsidiary Rekeep S.p.A., Servizi Ospedalieri S.p.A. may also access the Super Senior Revolving credit facility, providing a specific personal security.

The Super Senior Revolving loan agreement provides for compliance with a financial covenant, which is preliminary to the possible use of the line granted. This financial covenant is in line with the market practice for similar financing transactions and is recognized on a quarterly basis on the basis of the data relating to the last 12 months, as resulting from the financial position,

results of operations and cash flows approved during the quarter prior to the date of the application for use of the credit facility. On the reporting date of these financial statements the financial covenants had been complied with and no use of the facility had been requested from the execution of the agreement.

C.C.F.S. loan

On 14 November 2017, a new loan agreement was signed with CCFS for an amount of Euro 10,000 thousand. The loan includes two lines of credit, the first of which, amounting to Euro 5,000 thousand, was disbursed at the same time as the execution of the contract and will expire in April 2023. The second 66-month line of credit, for an additional amount of Euro 5,000 thousand, was disbursed on 13 February 2018, and provides for the repayment in six-monthly instalments, with a pre-amortization period of 12 months. Instalments for Euro 1,111 thousand were paid during the year.

Artigiancassa loan

On 21 June 2018 the Company obtained a soft loan from the “Energy and Mobility Fund” of the Marche Regional Government, aimed at supporting the development of energy efficiency of healthcare units. This soft loan is disbursed partly in the form of an 8-year financing on the part of Artigiancassa S.p.A. for an amount of Euro 1,676 thousand and a pre-amortization period of 12 months. The loan does not bear interest and provides for the payment of 14 six-monthly instalments falling due on 31 March and 31 December of each year. Instalments for Euro 120 thousand were paid during the year.

Deutsche Bank loan

The Company signed a loan with Deutsche Bank S.p.A. for an initial amount of Euro 1,000 thousand on 3 August 2018, due August 2019, at a rate equal to the 1-month EURIBOR plus a spread of 1.50%. The loan was fully paid off upon maturity.

Current account overdrafts, advance payments and hot money

This item showed a balance of Euro 1 thousand at 31 December 2019, against an amount of Euro 4,192 thousand at the end of the previous year. Bank overdrafts and advances on current accounts are not backed by guarantees. Their management is linked to temporary reductions in liquidity, within the flows of receipts and payments on the reporting date.

Financial current accounts

This item is made up of the balances of intragroup financial current accounts held with subsidiaries H2H Facility Solutions S.p.A. (Euro 4,166 thousand), Rekeep Rail S.r.l. (Euro 1,942 thousand), Telepost S.p.A. (Euro 482 thousand) and Sicura S.p.A. (Euro 2,770 thousand), as well as of interest accrued on these financial accounts and not yet invoiced at the reporting date (Euro 218 thousand). Furthermore, the financial debt in current account to the parent company Manutencoop Società Cooperativa was also stated (Euro 165 thousand).

Financial payables are not secured and are repayable in a lump-sum at the end of the year, except in the case of a tacit renewal.

Share capital to be paid into investee companies

The amount of Euro 3 thousand relates to the payable for the quota capital to be paid into Imola Verde e Sostenibile Soc. Cons. a r.l..

Obligations from assignments of receivables with recourse

During 2015 the Company entered into an agreement for the assignment with recourse of trade receivables with Unicredit Factoring S.p.A., concerning receivables from Public Authorities. The amount of receivables assigned at 31 December 2019 amounted to Euro 23,747 thousand (Euro 18,379 thousand at 31 December 2018).

Due to factoring agencies

This item includes receipts from customers on receivables assigned within the factoring of trade receivables without recourse, which was entered into with Banca Farmafactoring S.p.A. and Banca IFIS in relation to which the Company performs the service of receipts. The amounts collected (equal to Euro 2,350 thousand at 31 December 2019) were transferred to the factor in the first days of the subsequent financial year.

Prepaid financial expenses

At 31 December 2019 the Company recognized prepaid interest expenses of Euro 831 thousand. The item mainly related to arrangement fees initially paid by CMF S.p.A. for entering into the Super Senior Revolving (RCF) facility agreement. In 2017 CMF S.p.A. charged back all the costs concerning the subscription of this credit line (initially equal to Euro 1.0 million) to Rekeep S.p.A.. These costs were amortised on a straight-line basis throughout the term of the credit facility and showed a remaining balance of Euro 469 thousand at 31 December 2019.

Accrued financial expenses

At 31 December 2019 the Company recognized accrued interest expenses for Euro 1,530 thousand, of which an amount of Euro 1,399 thousand relating to the amount accrued on the coupon of the Senior Secured Notes due 15 June 2020.

Debt for dividends

On 17 December 2019 a resolution was passed in order to distribute a dividend of Euro 13,000 thousand to the Sole Shareholder Manutencoop Società Cooperativa, by using available revenue reserves, which was paid on 31 January 2020.

Financial liabilities for operating leases.

The accounting standard IFRS 16 has introduced significant changes concerning the method to account for operating leases, providing for the recognition of the liability arising from agreements were previously classified as operating leases in applying IAS 17. The lessee must measure the lease liability at the present value of the remaining payments due under the lease, as discounted using the lessee's marginal borrowing rate and recognize the Right-Of-Use asset (ROU). The Company carried out the accounting

adjustment for the transition to the new standard with effect from 1 January 2019 and recognized a financial liability of Euro 33,055 thousand on 31 December 2019.

21. CONTINGENT LIABILITIES

As at the date of approval of the Separate Financial Statements at 31 December 2019 contingent liabilities had arisen for the Company which had not been recognized in the accounts and for which the Management believes that the related financial risks can be regarded as possible but unlikely.

Antitrust Authority's order for sanctions on FM4Tender

On 23 March 2017 the Competition Authority notified Manutencoop Facility Management S.p.A. (now Rekeep S.p.A.) of the start of a preliminary investigation procedure against the Company itself, as well as against CNS – Consorzio Nazionale Servizi Società Cooperativa, Dussmann Service S.r.l., Engie Servizi S.p.A. (formerly Cofely Italia S.p.A.), ManitalIdea S.p.A., Romeo Gestioni S.p.A. and STI S.p.A. and subsequently extended to Exitone S.p.A., Manital Società Consortile per i Servizi Integrati per Azioni Consorzio Stabile, Manital S.c.p.a., Gestione Integrata S.r.l., Kuadra S.r.l. in Liquidation, Esperia S.p.A., Engie Energy Services International SA, Veolia Energie International SA, Romeo Partecipazioni S.p.A., Finanziaria Bigotti S.p.A., Consorzio Stabile Energie Locali S.c.a.r.l. to ascertain whether those companies put in place a possible anti-competitive agreement whose subject matter consisted of the coordination of the procedures for taking part in the tender called by Consip in 2014 for awarding the facility management services intended for properties mainly for office use of the Public Administration (known as "FM4 Tender"). On 9 May 2019, after the completion of the abovementioned proceedings, the Authority served the final order, considering the existence of the agreement restricting competition between some of the abovementioned companies and imposing a sanction of Euro 91.6 million on the Company.

Rekeep S.p.A., also on the basis of what has been agreed with its lawyers and maintaining the position it has always taken on the matter, believes that the sanctioning order is completely groundless. The Company therefore considers that the measure is unjustified; furthermore, since it is also sure of the absolute correctness of its conduct and of having always acted in compliance with the market rules applicable to the Consip FM4 Tender, on 3 July 2019 it challenged the Authority's Order before the Lazio Regional Administrative Court (TAR), while submitting a preliminary request for suspending the payment of the fine.

Finally, on 18 July 2019 the Lazio Regional Administrative Court granted the request submitted by the Company and ordered for the payment of the fine imposed by the Competition Authority to be suspended until the date it rules on the merits, subject to prior provision of a deposit, including through a surety policy, in favour of the Authority itself for an amount equal to the fine imposed on the Company, within 60 days from the date of the order. The hearing for discussing the merits has been set for 6 May 2020.

The Company filed an appeal against the Regional Administrative Court's order with the Council of State on 1 August 2019, while on 12 September 2019 the Council of State rejected the appeal, confirming the Regional Administrative Court's order of 17 July. On 17 September 2019 the Company informed the market that it had not provided any deposit in favour of the Competition Authority; on 29 October the latter formally asked the Company to provide the deposit within 15 days, in the enforcement of the

Regional Administrative Court's order of September, while informing that, if the Company failed to do so, the sums due would have been entered in the taxpayers' list. The Company did not provide any deposit within the expiry of said time limits, while also believing that the payment of the sums entered in the taxpayers' list could take place within the time limits and according to the methods prescribed by law, also pursuant to Article 19 of Presidential Decree 602/1973 and Ministerial Decree of 6 November 2013, as supplemented by the Directives issued by the Revenue Agency – Collection.

The entry of the sums in the taxpayers' list requested by the Competition Authority was made enforceable by the Revenue Agency following the issue of a notice of payment on 18 December 2019 for an amount equal to Euro 94,611 thousand, including collection charges of Euro 2.8 million. On 23 December 2019 the Company submitted a request for payment of these sums in instalments, which was formally granted on 10 January 2020. This order provides for the payment of 72 monthly instalments, at an interest rate of 4.5% as from 24 January 2020. The Company has started to pay these instalments on a regular basis, waiting for the developments of the legal action expected in the trial proceedings.

Furthermore, on 28 June 2019 Consip S.p.A. formally served on Rekeep S.p.A. the order providing for its exclusion from the FM4 Tender due to the breach of Article 38, paragraph 1.f, of Legislative Decree 163/2006, as well as of Article 68 of Royal Decree 827/1924 and of Article 38, paragraph 2, of Legislative Decree 163/2006, while also notifying the enforcement of the provisional guarantees provided by Rekeep S.p.A. in tendering (equal to Euro 3.9 million). With regard to this exclusion, ANAC (*Autorità Nazionale Anti Corruzione*, National Anti-Corruption Authority) initiated a procedure under Article 38 paragraph 1-*ter* of Legislative Decree no. 163/2006. On 3 July 2019 Rekeep S.p.A. filed an appeal with the Lazio Regional Administrative Court in order to seek the annulment of the acts of Consip S.p.A.; on 10 July 2019 the administrative court ordered for them to be suspended pending its own ruling on the appeal against the Competition Authority's order, while also setting the hearing in chambers for the decision on the preliminary request for 11 September 2019. On that occasion, the Lazio Regional Administrative Court partially granted the request, while providing for the suspension of the enforcement of the sureties and setting the hearing to discuss the merits for 15 July 2020. Rekeep S.p.A. appealed against the precautionary measure before the Council of State in that it had not granted the request for suspension of the exclusion from the Consip FM4 tender, but the Council of State rejected the appeal on 28 November 2019. On 4 November 2019 the Company submitted an appeal to the Lazio Regional Administrative Court against the proceedings initiated by ANAC, which, at present, have been removed from the docket in consideration of the fact that on 24 January 2020 ANAC ordered to suspend the proceedings while waiting for the settlement of the disputes brought in first instance before the Regional Administrative Court for the Competition Authority's Consip FM4 orders and for the exclusion from the Consip FM4 tender.

To date, since the FM4 Tender has not yet been awarded on a final basis, potential revenues have never been included in the Group's portfolio of new and renewed contracts (backlog).

In relation to the FM4 affair, the Directors are confident that the defence arguments are well founded and believe that there is significant uncertainty in the pending litigation; furthermore, as things stand in the analyses in progress with party-appointed lawyers, they believe that there are no probability requirements, in addition to those that could be determined reliably, requested by international accounting standards for the allocation of a provision for risk.

However, on 31 December 2019, even while pending the judgment on the merits, the hearing of which is scheduled for 6 May 2020, the Company took steps to recognize the liability arising from the notice of payment issued by the Revenue Agency – Collection among "Other current liabilities" in the Statement of Financial Position for the corresponding amount (Euro 94,611 thousand). This liability will be paid off through the payment of the 72 instalments set out in the instalment payment plan concerning the notice itself, according to the methods set out and until the Company's appeal is possibly granted within the pending proceedings. Furthermore, the deposit was stated among the balance sheet assets, since it constitutes a receivable against sums that are potentially subject to return following the settlement of the existing dispute (however, the time required for the judgment to become final cannot be estimated at present) and that cannot however be claimed automatically, even following the repayment of the entire debt. For this reason, this receivable was recognized among "Other non-current assets".

Furthermore, the Company continues to hold that it considers the Competition Authority's order unjustified and disproportionate and will continue to take any necessary action against it to protect its rights and interests. The recognition of this payable is in fact a direct consequence of a decision made by the Regional Administrative Court, which did not grant the suspension of the payment until the discussion of the merits and this decision in no way anticipates the Regional Administrative Court's future rulings on the subject matter of the appeal (the fine) but only a method of collection assessed by the Court itself which is consistent with the need to protect the financial interests of the Competition Authority, instead of those of the plaintiff companies.

Counting fully on the arguments discussed with its lawyers and subject to the prior verification of the consolidated financial planning, as well as whether the conditions actually exist in order to be able to meet said non-recurring cash requirements, the Directors did not find uncertainties for the purposes of assessing the going concern basis.

Compensation for damages for the fire that occurred in the former Olivetti area at Scarmagno (Turin)

On 19 March 2013 a violent fire broke out in the former Olivetti area in Scarmagno (Turin), which was the property of Prelios SGR and at which Manutencoop Facility Management S.p.A. (now Rekeep S.p.A.) performed maintenance work under contract, also through the use of subcontractors. The overall claim for damages submitted by the insurance companies for damaged parties was equal to over Euro 50 million, including claims for damages submitted by the owners of the properties concerned. In 2018 a settlement agreement was reached between Rekeep S.p.A. and Generali Assicurazioni, under which Rekeep S.p.A. (using funds provided to it by UnipolSai Assicurazioni S.p.A.) paid an overall amount of Euro 3,366 thousand, equal to 10% of the total sum paid by the insurance company to its insured parties, on account of full payment, write-off and settlement. The agreement also provides that, as regards the position of Prelios SGR, since it is not a party to the agreement and since its liability is covered by an insurance policy taken out with Generali, Rekeep S.p.A. undertakes to hold harmless Generali Assicurazioni, until Prelios SGR's claim against Generali Assicurazioni becomes statute barred and up to an amount equal to the limit of Liability equal to Euro 2,600 thousand, from and against any expenditure which Generali should be required to sustain by virtue of a provisionally enforceable judgment. Finally, on 20 June 2019 Rekeep S.p.A. and UnipolSai entered into an agreement for the final settlement of the claim, following which on 2 July 2019 the insurance company paid the insured an amount of Euro 1,436 thousand (equal to the remaining limit of liability set out in the policy). Rekeep S.p.A., on the other hand, has undertaken to provide reports on the use of these amounts while UnipolSai has waived the right to take any recourse action, under Article 1916 of the Italian Civil Code, against persons or entities subject to civil liability (if any) for the fire, including Prelios SGR. The residual balance of these funds was equal to Euro 1,361 thousand at 31 December 2019.

In relation to the accident, which also involved, as potential indirectly liable persons, three former employees of Rekeep S.p.A. itself, the proceedings before the Court of Milan have been discontinued by the parties.

Enquiry of the Public Prosecutor's office of Naples relating to the tender for the awarding cleaning services at A.O.R.N. Santobono Pausilipon

On 10 November 2017 ANAC, after the completion of proceedings initiated in November 2016 following a report made by A.O.R.N. Santobono Pausilipon in Naples, imposed a sanction ("ANAC's Order") on Rekeep S.p.A. (Manutencoop Facility Management S.p.A. at that time), raising objections concerning the failure to provide a declaration relating to the absence of criminal proceedings against one of the Company's proxy holders in the documentation submitted for the same tender in 2013. On the other hand, this proxy holder met the legal requirements in full. In addition to a fine of Euro 10 thousand, the ANAC's Order provided for the Company to be excluded from all public tenders for a period of 6 months as from the date of entry in the computerised records of economic operators in public contracts. The Company, which considers that the order is unfounded and based on erroneous legal grounds, in addition to being disproportionate with respect to the alleged infringement, filed an appeal with the Lazio Regional Administrative Court, while asking the President of the competent division to order the immediate suspension of the measure before any discussion on the merits of the case ("request for precautionary measure from a single-member court"). On 15 November 2017 this request was granted and all the effects of the ANAC's Order were suspended. On 21 December 2017 the Lazio Regional Administrative Court granted the appeal, as regards the merits, submitted by the Company and annulled the ANAC's Order. Subsequently, the latter challenged the administrative court's ruling before the Council of State, while submitting a request for precautionary measures for the suspension of the effects of the trial judgment. At the hearing held on 8 March 2018 the Council of State rejected this request, ordering ANAC to pay expenses, waiting for the hearing on the merits to be set.

By a judgment published on 27 December 2018, the Council of State granted the appeal filed by ANAC against the Lazio Regional Administrative Court's ruling of 21 December 2017, which had annulled the ANAC's Order.

The Company, also on the basis of what has been agreed with its lawyers and maintaining the position it has always taken on the matter, believes that this judgment, as well as the ANAC's order, are based on erroneous and non-existent factual and legal assumptions and that the said order is not proportional to the alleged infringement. The Council of State's ruling was therefore challenged by the Company on 9 January 2019 before the Supreme Court in order to obtain its full annulment due to excessive jurisdictional powers, since the Council of State applied a non-existent rule (thus actually creating a new one), given that Article 38, paragraph 1-*ter* of Legislative Decree no. 163/2006, to which reference is made, regulates only the case of "submission of false declarations or false documentation in tender procedures", while disregarding the different case of failure to submit the required declarations in tender procedures. It should also be noted that according to the subsequent and current regulations on tendering, the failure to submit similar administrative documentation would not even constitute a possible infringement but would be remedied merely through the "preliminary relief ", or merely through a request by the Public Administration for additions to the incomplete documentation.

On 9 January 2019, a request for precautionary measure from a single-member court was submitted to the Council of State for it to suspend the judgment of 27 December 2018 pursuant to Article 111 of the Italian Code of Administrative Procedure. The

President of the competent division accepted the request made by the Company by a specific Decree, whereby it suspended the effects of the judgment and of the ANAC's Order until the hearing of the Council of State that was held on 24 January 2019, in which it confirmed the decision made by the President until the ruling of the Supreme Court, which set the public hearing for discussing the appeal on 10 March 2020. The hearing has been postponed to a date to be scheduled due to the Covid-19 emergency.

The judgment was also challenged by the Company before the Council of State on 6 February 2019 by means of an appeal for revocation, complaining about a factual error entailing the revocation and claiming that: (i) the Company did not submit any false declaration, but merely failed to submit a declaration (Article 38, paragraph 1.c) on the part of one of its proxies who, moreover, met the legal requirements in full, as she had no criminal record; (ii) the Company was never accused of failing to meet the requirement. The hearing on the merits is scheduled for 2 April 2020 but it is reasonable to believe that it will be postponed due to the Covid-19 emergency.

Finally, the Company is considering with its lawyers to bring further defence actions before the competent European jurisdictional Authorities (the European Court of Human Rights and the European Court of Justice).

It should be noted that the measure for exclusion would have no effect on Rekeep S.p.A.'s ability to participate in tenders launched by private parties, nor on the performance of the contracts in its portfolio.

Italian Finance Police's Report of Findings served on Rekeep S.p.A.

On 10 April 2019 the Italian Tax Police (*Guardia di Finanza*) - Bologna Economic and Financial Police Unit – started a tax audit involving Rekeep S.p.A.. The audit was completed on 25 July 2019 with the service of the report of findings (*Processo Verbale di Constatazione*, PVC), which reported some remarks regarding VAT on some specific supply contracts, as well as remarks regarding VAT, IRES and IRAP tax for the 2017 financial year, for a higher tax due totalling Euro 1.7 million. The Company is considering, together with its consultants, the arguments and the materiality of the findings reported by the inspectors. At the date of approval of the Financial Statements, the management was assessing the risk of losing the case and, after having heard its consultants, now believes that this risk is possible.

22. TRADE PAYABLES AND CONTRACT LIABILITIES

The table below sets forth the breakdown of the item at 31 December 2019 and 31 December 2018:

	31 December 2019	of which to related parties	31 December 2018	of which to related parties
Trade payables	214,521	968	227,809	3
Trade payables to Associates and Joint-ventures	10,233	10,233	9,994	9,994

	31 December 2019	of which to related parties	31 December 2018	of which to related parties
Trade payables to Subsidiaries	28,804	28,804	21,816	21,816
Trade payables to Parent companies	7,104	7,104	8,186	8,186
Trade payables to Affiliates	5	5	27	27
Contract liabilities for work to be performed	20,738		17,244	
TRADE PAYABLES AND CONTRACT LIABILITIES	**281,404**	**47,114**	**285,075**	**40,025**

At 31 December 2019 trade payables and contract liabilities amounted to Euro 281,404 thousand compared to a balance of Euro 285,075 thousand at 31 December 2018.

Trade payables do not accrue interest and are settled for, on average, 90/120 days from the invoice date.

23. OTHER CURRENT LIABILITIES

The table below sets forth the breakdown of the item at 31 December 2019 and 31 December 2018:

	31 December 2019	31 December 2018
Payables to employees	36,893	37,444
Payables to social security institutions	6,638	6,445
Tax payables	4,812	5,244
Collections on behalf of ATI (“Associazione temporanea di Imprese”)	12,382	10,019
Other payables to Subsidiaries	862	858
Other payables to Parent Company	27	18
Other payables to Associates	2	2
Payables to directors and statutory auditors	0	14
Property collection on behalf of customers	2,176	2,176
Payable for notices of payment to be paid in instalments	94,611	0
Other payables	4,617	7,075
OTHER CURRENT LIABILITIES	**163,019**	**69,296**

Other payables are settled after 30 days on average, excluding some payables due to employees for accrued summer bonuses (14th monthly salary) and accrued wages and vacation leave paid at 6 months on average, and the amounts due to the Tax Authorities for deferred VAT payments generated in previous years and settled at the moment of collection of the receivables.

As at 31 December 2019 the item includes the payable relating to the deposit for the fine imposed by the Competition Authority in relation to the Consip FM4 Tender, (see note 21 "Contingent liabilities "). Even while pending the proceedings on the merits, the hearing of which is set for 6 May 2020, the Company took steps to recognize the liability arising from the notice of payment issued by the Revenue Agency – Collection among "Other current liabilities" in the Statement of Financial Position for the corresponding amount (Euro 94,611 thousand). This liability will be paid off upon the payment of the 72 instalments set in the plan of instalment payment of the notice itself, according to the methods set out and until the Company's appeal is possibly granted within the pending proceedings. Furthermore, the deposit was stated among non-current balance sheet assets, since it constitutes a receivable against sums that are potentially subject to return following the settlement of the existing dispute (however, the time required for the judgment to become final cannot be estimated at present) and that cannot however be claimed automatically, even following the repayment of the entire debt.

"Other payables"(equal to Euro 4,617 thousand at 31 December 2019) included, as at 31 December 2018, the residual payable relating to the fine of Euro 4,417 thousand imposed by the Competition Authority in relation to the Consip Scuole Tender. The Competition Authority intervened with measure of 28 April 2017 by allowing to pay the fine in 30 monthly instalments. The Company also proceeded with the due payment of monthly instalments and this debt was paid in full on 31 December 2019.

24. REVENUE FROM CONTRACTS WITH CUSTOMERS

The table below sets forth the breakdown of the item for the years ended 31 December 2019 and 31 December 2018:

	31 December 2019	31 December 2018
Integrated services - system and building maintenance	130,944	139,584
Cleaning and sanitation services	276,690	319,745
Heat management	91,715	96,222
Construction work, building restructuring	61,323	51,241
Plant construction work	26,720	23,287
Landscaping services	3,797	4,151
Porterage services	3,529	3,948
Asset management	116	202
Cemetery services	7	27
Other services	89,054	77,339
REVENUE FROM CONTRACT WITH CUSTOMERS	**688,895**	**715,748**

In 2019 revenues recorded a slight decrease compared to the value posted in 2018 (- Euro 26,853 thousand). However, it should be noted that, with effect from 1 November 2018, the business unit relating to the Trenitalia contracts was transferred to subsidiary Rekeep Rail S.r.l., which achieved a turnover of Euro 41 million in 2019. Net of this change in the perimeter of sales, an increase in volumes was then reported, which was mainly driven by the volumes guaranteed under the new MIES 2 agreement in full operation (+ Euro 23.3 million compared to 2018).

All Revenues accrued on activities carried out in the Italian territory.

25. OTHER REVENUES

The table below sets forth the breakdown of the item for the years ended 31 December 2019 and 31 December 2018:

	31 December 2019	31 December 2018
Reimbursement of damages	292	4,389
Gains on sales of property, plant and machinery	33	32
Grants	462	490
Other revenues	495	820
OTHER REVENUES	**1,282**	**5,731**

As at 31 December 2019, the balance was Euro 1,282 thousand, compared to Euro 5,731 thousand in the previous year.

The item “Other Revenue” is mainly made up of the recovery of costs for seconded personnel for an amount of Euro 171 thousand. An amount of Euro 462 thousand was also recognized as operating grants, mainly relating to employee training projects (Euro 490 thousand at 31 December 2018).

Furthermore, the 2018 financial year saw the recognition of significant proceeds from compensation for damages from third parties. On 23 November 2018 Consip S.p.A. paid Rekeep S.p.A. an amount of Euro 4,274 thousand, by bank transfer, as compensation for the damage suffered by the same within a tender launched by Consip S.p.A. in 2010. In particular, Rekeep S.p.A. (Manutencoop Facility Management S.p.A. at that time) filed an appeal against the ruling handed down by the Lazio Regional Administrative Court that had admitted competing temporary business associations (ATI, *Associazioni Temporanee di Impresa*) for Lot 3 and Lot 6 of the public competitive procedure relating to the award of contracts for facility management services for properties used mainly for office use and used by Public Authorities for any reason ("Facility Management 3"), for which the Company was not the winning bidder. The litigation, which lasted until 2015, was settled favourably for the Company, but the judgment had never been complied with, nor had the Company ever been allowed to actually take over the execution of the works referred to in these lots. Therefore, Consip S.p.A. has been ordered to pay this compensation and, given the above-mentioned payment of the sums due, the Council of State formally declared the dispute settled on 13 December 2018.

26. COSTS OF RAW MATERIALS AND CONSUMABLES

The table below sets forth the breakdown of the item for the years ended 31 December 2019 and 31 December 2018:

	31 December 2019	31 December 2018
Change in inventories of raw materials	176	(394)
Fuel consumption	(43,071)	(43,248)
Consumption of raw materials	(64,400)	(52,855)
Purchase of auxiliary materials and consumables	(4,899)	(5,343)
Other purchases	(1,874)	(2,708)
COSTS OF RAW MATERIALS AND CONSUMABLES	**(114,068)**	**(104,547)**

The item included the costs for fuel (diesel and methane) as well as utilities and fuels mainly used as part of Company's maintenance work.

27. COSTS FOR SERVICES AND USE OF THIRD PARTY ASSETS

The table below sets forth the breakdown of the item for the years ended 31 December 2019 and 31 December 2018:

	31 December 2019	31 December 2018
Third-party services	(126,479)	(131,606)
Professional services	(28,008)	(28,853)
Consortia services	(46,318)	(48,470)
Utilities	(2,260)	(2,265)
Other personnel expenses	(5,256)	(5,767)
Transport	(21)	(49)
Equipment maintenance and repair	(4,612)	(4,597)
Insurance and sureties	(5,044)	(4,524)
Travel expenses and reimbursement of expenses	(1,833)	(2,502)
Advertising and marketing	(305)	(922)
Directors' and Statutory Auditors' fees	(127)	(128)
Bank services	(90)	(97)

	31 December 2019	31 December 2018
Bonuses and commissions	(1)	0
Other services	(1,147)	(296)
COSTS FOR SERVICES	**(221,500)**	**(230,075)**
Rent expense	(1,147)	(8,566)
Hires and others	(3,611)	(3,868)
COSTS FOR USE OF THIRD PARTY ASSETS	**(4,758)**	**(12,434)**
COSTS FOR SERVICES AND USE OF THIRD PARTY ASSETS	**(226,259)**	**(242,510)**
Effects of adoption of IFRS16		7,262
COSTS FOR SERVICES AND USE OF THIRD PARTY ASSETS	**(226,259)**	**(235,248)**

For the year ended 31 December 2019 the item amounted to Euro 226,259 thousand, against Euro 242,510 thousand in 2018. The significant change is firstly linked to the adoption of the new accounting standard IFRS 16 as from the 2019 financial year, which has substantially changed the accounting treatment of lease and hire payments.

According to the previously applicable accounting rules, the “operating” lease cost for the period was accounted for in the Statement of Profit/Loss for the period, as “Cost for use of third-party assets”, according to the matching principle and based on its accrual for the time being; the impact on the business cash flows was accounted for as “Cash flow from current operations” in the Statement of Cash Flows. Furthermore, the accounting standard IAS 17 provided for the financial method to be adopted for “finance” leases only, thus recognising the asset among balance sheet assets (and recognising accordingly any related amortization and depreciation) and the liability arising from future lease payments among balance sheet liabilities. Moreover, the related financial costs for the year were accounted for during the period of financial amortization of this liability. The new accounting standard IFRS16 provides for the recognition of the liability arising from agreements that were previously classified as operating leases in applying IAS 17 and, therefore, no “costs for use of third-party assets” were recognized during 2019 for all the cases identified in accordance with the new standard (in particular property leases and log-term hire for the corporate fleet). The accounting method used for transition is the “Modified retrospective approach”, which does not provide for the restatement of accounting data for the previous year. However, it should be noted that the effect on these costs would be a positive adjustment of Euro 7,262 thousand for the 2018 financial year.

Net of this accounting adjustment, therefore, the item shows a decrease of Euro 8,989 thousand compared to the previous year, mainly due to a reduction in costs for third-party and consortia services. As early as in previous years the Company started up a process to increase insourcing of certain activities, which resulted in a change in the mix of production factors in favour of the cost of labour.

During 2019 the Company also started R&D projects in order to improve its business and delivery of services. The projects were developed and coordinated by internal resources based on their specific skills and duties, with the involvement of specific consultants for the various areas of business and were all completed in 2019. These research projects meet the requirements laid down in Law no. 190 of 23 December 2014 (Article 1, paragraph 35), as partly amended by Law no. 232 of 11 December 2016 (Article 1, paragraphs 15 and 16), as well as in the Implementing Provisions under a Decree issued by the Ministry of Economy and Finance in agreement with the Ministry of Economic Development on 27 May 2015 and fall within the scope of the parameters set out in the Communication from the European Commission (2014/C 198/01) of 27 June 2014, which was published in the Official Journal C/198 of 27 June 2014. These regulations provide for a tax credit for investments made from 1 January 2015 to 31 December 2020 in relation to the expenses incurred in excess of the average of the same investments made in the three tax periods for the financial years 2012, 2013 and 2014, to an extent of 50% of the total incremental expense. Total R&D costs incurred in 2019 amounted to Euro 96 thousand. The proceeds relating to the tax credit were accounted for in the separate Statement of profit or loss as operating grants, as a decrease in related costs, for a total of Euro 48 thousand.

No capitalization of R&D costs took place.

28. PERSONNEL COSTS

The breakdown of the item is shown below for the years ended 31 December 2019 and 31 December 2018:

	31 December 2019	31 December 2018
Wages and salaries	(186,600)	(206,976)
Social security charges	(58,887)	(64,955)
Temporary and leased personnel	(22,040)	(24,462)
Other current benefits	(101)	(746)
CURRENT BENEFITS	**(267,629)**	**(297,140)**
Employment termination indemnity	(123)	(163)
Other subsequent benefits	0	0
DEFINED BENEFITS	**(123)**	**(163)**
Payments to employee pension funds	(10,603)	(12,099)
DEFINED CONTRIBUTION BENEFITS	**(10,603)**	**(12,099)**
EMPLOYMENT TERMINATION BENEFITS	**(389)**	**(1,221)**
PERSONNEL COSTS	**(278,744)**	**(310,622)**

The financial year ended 31 December 2019 showed a decrease of Euro 31,879 thousand against the balance in 2018. The portion of termination indemnity paid to the INPS and to supplementary pension funds is recognized under current benefits. The average number of employees decreased by 14,194 units in 2018 to 13,076 units in 2019.

29. OTHER OPERATING COSTS

The breakdown of the item is shown below for the years ended 31 December 2019 and 31 December 2018:

	31 December 2019	31 December 2018
Other operating costs	(2,829)	(2,321)
Fines and penalties	(315)	(1,416)
Taxes other than income taxes	(1,173)	(1,231)
Capital losses on disposals of assets	(177)	(13)
Securitisation credit discount	(30)	(18)
OTHER OPERATING COSTS	**(4,524)**	**(5,000)**

In 2019 "Other operating costs" showed a balance of Euro 4,524 thousand (Euro 5,000 thousand in 2018). Capital losses from disposal of assets (Euro 177 thousand) include the operating loss on the disposal of some specific assets following the non-renewal of some contracts. In 2018 "Fines and penalties" also included a significant amount of penalties relating to contracts being transferred to Rekeep Rail S.r.l..

Finally, the year saw the recognition of an amount of Euro 30 thousand relating to the credit discount of the agreement for an assignment of receivables without recourse in place with Unicredit Factoring S.p.A. (Euro 18 thousand at 31 December 2018).

30. AMORTIZATION/DEPRECIATION, WRITE-DOWNS AND WRITE-BACKS OF ASSETS

The breakdown of the item is shown below for the years ended 31 December 2019 and 31 December 2018:

	31 December 2019	31 December 2018
Amortization of intangible assets	(6,257)	(6,360)
Depreciation of property, plant and equipment	(1,659)	(2,044)
Depreciation of property, plant and equipment under lease	(5,925)	0
Write-down of equity investments in Group companies	(6,508)	(6,390)
Write-downs of trade receivables	(2,023)	(2,698)
Transfer of bad debt provision	625	0
Write-downs of other assets	0	(302)
AMORTIZATION/DEPRECIATION, WRITE-DOWNS AND WRITE-BACKS OF ASSETS	**(21,747)**	**(17,794)**
Effects of the adoption of IFRS16	0	(5,923)
AMORTIZATION/DEPRECIATION, WRITE-DOWNS AND WRITE-BACKS OF ASSETS	**(21,747)**	**(23,717)**

The item Amortization/depreciation, write-downs and write-backs of assets increased from Euro 17,794 thousand at 31 December 2018 to Euro 21,747 thousand in 2019.

As regards *Costs for services*, the adoption of the "modified retrospective approach" in the transition to the new IFRS16 requires the non-restatement of the book values of the previous year, when the accounting adjustment relating to the amortization of the Rights of Use would have been equal to Euro 5,923 thousand.

The item 'Write-down of the Group's Companies equity investments" of Euro 6,508 thousand includes the value adjustment recognized on the investment in Rekeep Rail S.r.l. for Euro 2,375 thousand and Yougenio S.r.l. for Euro 4,127 thousand, as a result of losses regarded as not recoverable.

31. DIVIDENDS, INCOME AND CHARGES FROM DISPOSAL OF EQUITY INVESTMENTS

The item is made up of:

- dividends from group companies for Euro 10,418 thousand (Euro 10,458 thousand at 31 December 2018);
- income and charges from disposal of equity investments for Euro 597 thousand (Euro 2,575 thousand at 31 December 2018).

The breakdown of dividends collected as at 31 December 2019 is shown below, compared to 2018:

	31 December 2019	31 December 2018
Telepost S.p.A.	1,204	782
H2H Facility Solutions S.p.A.	597	442
Servizi Ospedalieri S.p.A.	8,480	8,840
Sesamo S.p.A.	10	105
Progetto Nuovo Sant'Anna S.r.l.	19	22
Genesi Uno S.p.A.	30	268
MFM Capital S.r.l.	55	0
Alessandria Project Value S.r.l.	22	0
Other minor items	1	0
TOTAL DIVIDENDS FROM GROUP COMPANIES	**10,418**	**10,458**

The breakdown of income and costs from investments as at 31 December 2019 are shown below, compared to 2018:

	31 December 2019	31 December 2018
Disposal of Elene Project S.r.l.	13	0
Earn-out on disposal of Synchron Nuovo San Gerardo S.p.A.	579	0
Disposal of MFM Capital S.r.l.	0	411
Disposal of Progetto Isom S.p.A.	0	2,178
Other minor items	5	(14)
TOTAL INCOME AND CHARGES FROM DISPOSAL OF EQUITY INVESTMENTS	**597**	**2,575**

On 12 December 2019 the Company transferred 61% of the investment held in Elene Project S.r.l. to MFM Capital S.r.l. for a consideration of Euro 163 thousand, against a carrying amount of the quota equal to Euro 150 thousand.

The Company also recognized income of Euro 579 thousand for the period in relation to the collection of the earn-out on the disposal of Synchron Nuovo San Gerardo di Monza S.p.A. to 3i EOPF in December. This income was not recognized at the same time as the disposal since it was linked to uncertain and unforeseeable future events that occurred during 2019.

32. FINANCIAL INCOME

The breakdown of the item is shown below for the years ended 31 December 2019 and 31 December 2018:

	31 December 2019	31 December 2018
Interest on trade receivables	1,891	787
Interest on loans and intercompany current accounts	2,951	2,995
Interest from discounting of non-interest bearing loans	12	53
Interest on bank current accounts	1	1
Capital gains on securities	1,598	0
Other financial income	188	61
FINANCIAL INCOME	**6,641**	**3,896**

Interest on trade receivables were recognized following the completion of transactions on accounts opened in previous years.

Finally, capital gains equal to Euro 1,598 thousand were recognized on the purchase of portions of its bond issue on the open market for a nominal total of Euro 10.3 million during the year.

33. FINANCIAL CHARGES

	31 December 2019	31 December 2018
Interest on Loans	(31,699)	(16,894)
Financial charges on Group financial accounts	(376)	(9,057)
Financial costs from securitisation	(2,749)	(2,163)
Other financial charges	(6,213)	(4,257)
Financial charges on leases	(1,637)	0
FINANCIAL CHARGES	**(42,674)**	**(32,370)**
Effects of adoption of IFRS16	0	(1,733)
FINANCIAL CHARGES	**(42,674)**	**(34,103)**

Since the adoption of the "modified retrospective approach" in the transition to the new IFRS16 requires the non-restatement of the book values of the previous year, it should be noted that the accounting adjustment relating to financial charges on the liability for operating leases would have been equal to Euro 1,733 thousand.

With respect to the two comparative periods, the financial debt structure reported significant changes. On 1 July 2018, in fact, the merger became effective for the incorporation into Rekeep S.p.A. of its direct parent company CMF S.p.A., which had been established by Manutencoop Società Cooperativa in 2017 as a vehicle for the purpose of launching the Senior Secured Notes bond issue. The separate income statement for the 2018 financial year, therefore, was affected by higher financial costs arising from the transfer of the bond debt (equal to Euro 360 million) to Rekeep S.p.A. as from the third quarter of 2018 only, following the above-mentioned merger and the consequent repayment of the Proceeds Loan granted by CMF S.p.A. within the refinancing transaction (equal to Euro 174,220 thousand at the date of the merger itself). The financial charges accrued on the Proceeds Loan came to Euro 7,869 thousand, during the first half of 2018, to which must be added financial charges of Euro 16,200 thousand accrued for Rekeep S.p.A. on the Notes as from the third quarter of 2018.

In 2019 financial charges on the coupons accrued for Euro 31,576 thousand. The above-mentioned buy-back transactions that were carried out during the first quarter of 2019 on the other hand ensured savings of Euro 824 thousand on the financial charges accrued on the repurchased portions for the time being.

Finally, the upfront fees relating to the issue of the Senior Secured Notes were accounted for according to the amortised cost method, which entailed financial amortization charges of Euro 3,730 thousand in 2019, of which an amount of Euro 387 thousand relating to the write-off of the portion relating to the repurchased Notes. On the contrary, financial amortization charges of Euro 2,415 thousand had been accounted for in 2018, of which an amount of Euro 1,604 thousand relating to the additional costs for the issue of the Bond Issue from the date of merger and Euro 810 thousand on the Proceeds Loan until its termination.

At the same time as the bond issue, CMF S.p.A. also entered, as the Parent Company, into a Super Senior Revolving loan agreement for Euro 50 million (RCF), to which Rekeep S.p.A. was a party as Borrower.

In 2017 CMF S.p.A. charged all financing costs (initially equal to Euro 1,000 thousand) were also amortised on a straight-line basis throughout the term of the credit facility (for which no drawdown had been requested on the reporting date). The cost relating to this line of credit amounted to Euro 690 thousand in both comparative periods (including the commitment fees charged by banks).

Finally, interest discount costs were recognized for Euro 2,749 thousand during 2019 in relation to the assignments of trade and VAT receivables without recourse carried out with Banca Farmafactoring and Banca IFIS (Euro 2,163 thousand at 31 December 2018).

34. CURRENT, PREPAID AND DEFERRED TAXES

The breakdown of the income taxes is shown below for the years ended 31 December 2019 and 31 December 2018:

	31 December 2019	31 December 2018
Current IRES tax	8,281	7,393
Current IRAP tax	3,413	2,958
(Income) charges from tax consolidation	(1,256)	(5,815)
Adjustments to current taxes of previous years	(92)	(174)
Current taxes	**10,347**	**4,362**
Prepaid/deferred IRES tax	778	1,500
Prepaid/deferred IRAP tax	40	128
Prepaid/deferred taxes relating to previous years	0	33
Prepaid/(deferred) taxes	**817**	**1,662**
CURRENT, PREPAID AND DEFERRED TAXES	**11,614**	**6,023**

Current taxes

The reconciliation between IRES tax and IRAP tax recorded and theoretical tax resulting from application of the tax rates in force for the years ended 31 December 2019 and 31 December 2018 to pre-tax profit is as follows:

Reconciliation between theoretical and actual IRES tax rate	31 December 2019	%	31 December 2018	%
Pre-tax profit (continuing and discontinued operations)	**16,905**		**21,995**	
Ordinary rate applicable		24.00%		24.00%
Effect of increases (decreases):				
- Temporary differences	(1,181)		(2,749)	
- Permanent differences	18,782		(12,668)	
IRES taxable income	34,506		6,578	
ACTUAL RATE/TAX	**8,281**	**48.99%**	**1,579**	**7.18%**

Reconciliation between theoretical and actual IRAP tax rate	31 December 2019	%	31 December 2018	%
Pre-tax profit (continuing and discontinued operations)	**16,905**		**21,995**	
Ordinary rate applicable				
		2.68%		2.68%
		2.93%		2.93%
		3.90%		3.90%
		4.73%		4.73%
		4.82%		4.82%
		4.97%		4.97%
Effect of increases (decreases):				
- Labour cost	278,744		310,622	
- Balance from financial management	25,019		15,440	
- Other differences between taxable base and pre-tax result	(239,342)		(279,563)	
IRAP taxable income	**81,326**		**68,494**	
- of which at 2.68%	1,820		1,771	

Reconciliation between theoretical and actual IRAP tax rate	31 December 2019	%	31 December 2018	%
- of which at 2.93%	189		274	
- of which at 3.90%	50,793		33,257	
- of which at 4.73%	994		994	
- of which at 4.82%	25,135		28,135	
- of which at 4.97%	2,396		4,064	
ACTUAL RATE/TAX	**3,413**	**4.20%**	**2,958**	**4.32%**

Profit before tax showed a decrease of Euro 5.1 million against an increase in the overall tax burden of Euro 5.1 million. The tax rate came to 66.0% at 31 December 2019 against 27.4% at 31 December 2018. However, lower taxes for Euro 5.4 million were recognized in 2018, following the submission of the supplementary returns of Forms Unico SC 2014 - 2018. Net of this income, the change in the total tax burden would be insignificant (+ Euro 0.3 million) due to the substantial invariance of some tax components compared to changes in the Profit before tax. Furthermore, the tax rate would be 51.7% in 2018 against 66.0% in 2019.

Prepaid and deferred taxes

The breakdown of the prepaid and deferred taxes as at 31 December 2019 and at the end of the previous year is shown below:

Prepaid and deferred taxes	Equity tax effect		Economic tax effect	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Prepaid taxes:				
Multi-year costs	0	6	6	25
Presumed losses on receivables	4,463	4,695	232	105
Provisions for risks and charges	2,470	2,413	(57)	268
Write-downs on asset items	0	219	219	120
Fees of Directors, Statutory Auditors and Independent Auditors	70	87	17	(19)
Amortization	1	2	1	0
Interest expense	3,068	3,068	0	392
Employee benefits	29	121	0	0
Cash cost deduction	23	23	0	0
Bond issue costs from merger	0	0	0	336

Prepaid and deferred taxes	Equity tax effect		Economic tax effect	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Effects of IFRS16 recognized in Equity	633	0	0	0
Other temporary differences	556	693	136	333
TOTAL PREPAID TAXES	**11,284**	**11,204**	**553**	**1,561**
Deferred taxes:				
Goodwill amortization	(9,619)	(9,285)	334	494
Purchase Price Allocation (PPA)	(1,606)	(1,672)	(67)	(67)
Other temporary differences	(48)	(51)	(3)	(102)
Amortised cost from merger	(1,892)	(1,892)	0	(224)
TOTAL DEFERRED TAXES	**(13,164)**	**(12,899)**	**265**	**101**
NET PREPAID/(DEFERRED) TAXES	**(1,880)**	**(1,695)**	**817**	**1,662**

35. COMMITTMENTS AND GUARANTEES

Guarantees given

The Company had the following guarantees as at 31 December 2019:

- guarantees against financial obligations amounting to Euro 18,055 thousand (Euro 15,534 thousand at 31 December 2018), of which an amount of Euro 7,199 thousand issued in the interest of subsidiaries and associates for bank overdrafts and other financial obligations (Euro 1,675 thousand at 31 December 2018);
- sureties granted to third parties as security for the correct performance of commercial contracts in place with customers, equal to Euro 259,487 thousand (Euro 245,456 thousand at 31 December 2018), of which an amount of Euro 14,521 thousand issued in the interest of subsidiaries and associates (Euro 11,468 thousand at 31 December 2018);
- other guarantees issued by third parties in favour of associates, joint ventures and other equity investments for Euro 25,050 thousand (Euro 25,137 thousand at 31 December 2018);
- other guarantees issued to third parties to replace security deposits required to activate utilities or to execute lease agreements, as well as to the Revenue Agency for VAT refunds, for a total amount of Euro 13,116 thousand (Euro 12,832 thousand at 31 December 2018), of which an amount of Euro 423 thousand issued in the interest of subsidiaries and associates (Euro 382 thousand at 31 December 2018).

Guarantees arising from the Senior Secured Notes bond issue launched by CMF S.p.A. in 2017 and from the Super Senior Revolving loan agreement with Unicredit Bank A.G.

CMF S.p.A., which was established by Parent Company Manutencoop Società Cooperativa in 2017, launched a Senior Secured Notes bond issue in 2017, due 2022. On 29 June 2017 CMF S.p.A. also signed, as the Parent Company, a Super Senior Revolving loan agreement for Euro 50 million, governed by English law, to which Rekeep S.p.A. became a party as Borrower.

CMF S.p.A. was merged by incorporation into Rekeep S.p.A. with statutory, accounting and tax effects from 1 July 2018, applying the provisions laid down in the Indenture signed on 13 October 2017. After the merger, the indirect subsidiary Servizi Ospedalieri S.p.A. may also access the revolving credit facility, providing a specific personal security.

The payment obligations connected to both the Bond Issue and the Super Senior Revolving (RCF) facility are backed, following the above-mentioned merger, by the following collateral provided :

- a first-degree pledge over the total shares of Rekeep S.p.A., paid by the controlling company Manutencoop Società Cooperativa;
- a pledge over the total shares of Servizi Ospedalieri S.p.A ;
- an assignment, by way of security, involving receivables held by Rekeep S.p.A., arising from intercompany loans granted by it to some of its subsidiaries.

Rekeep S.p.A. has also provided, in favour of the subscribers of the Super Senior Revolving facility only, a special lien pursuant to Article 46 of Legislative Decree 385 of 1 September 1993 on some of the personal properties held by it.

The guarantees listed above may be enforced by the counterparties only in the case that one of the events of default envisaged in the abovementioned contracts occurs; up to the occurrence of the same, the assets covered by the guarantee are fully available to the Group. At 31 December 2019 no events of default had occurred.

36. TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties were performed under normal market conditions, i.e. in line with conditions that would be applied between independent parties. Market prices are applied to both commercial and financial transactions.

Non-interest bearing loans are only disbursed in the case of pro-quota financing granted by syndicated shareholders to consortium companies. These loans, if long-term, were discounted in the financial statements of the Company.

The Company not only provides technical-production services relating to the core business, but also administrative and IT services and other general services for certain group companies.

The Company also has some administrative and lease service contracts in place with its parent company Manutencoop Società Cooperativa.

There are no guarantees in relation to receivables and payables with related parties.

PARENT COMPANY		Revenues	Costs	Financial income	Financial charges	Trade receivables	Financial receivables and others	Trade payables	Financial payables and others
Manutencoop Società Cooperativa	31-Dec-19	124	24,091		961	43	5,548	7,104	28,803
	31-Dec-18	225	27,516	1	211	85	10,572	8,186	234
CMF S.p.a.	31-Dec-19								
	31-Dec-18				8,679				
TOTAL PARENT COMPANY	**31-Dec-19**	**124**	**24,091**		**961**	**43**	**5,548**	**7,104**	**28,803**
	31-Dec-18	**225**	**27,516**	**1**	**8,890**	**85**	**10,572**	**8,186**	**234**

DIRECTLY AND INDIRECTLY-CONTROLLED COMPANIES		Revenues	Costs	Financial income	Financial charges	Trade receivables	Financial receivables and others	Trade payables	Financial payables and others
Alisei S.r.l.	31-Dec-19					3			1
	31-Dec-18					3			1
Bologna Strade soc.cons.a r.l.	31-Dec-19	8				9			
	31-Dec-18								
Co.Ge.F. Soc.Cons.a r.l.	31-Dec-19	1,150	918			2,226		1,403	
	31-Dec-18	1,151	1,038			1,624		1,090	
Cons. Igiene Ospedaliera Soc.Cons.a r.l.	31-Dec-19	62	129			192		231	
	31-Dec-18	60	159			116		186	
Cons. Imolese Pulizie Soc.Cons.a r.l.	31-Dec-19						36	12	
	31-Dec-18						36	12	
Consorzio Stabile CMF	31-Dec-19	365	1,877			524	63	937	
	31-Dec-18								
Cons. Servizi Toscana Soc.Cons.a.r.l.	31-Dec-19	20	68			282		177	
	31-Dec-18	56	200			417		340	
Gestlotto 6 Soc.Cons.a r.l.	31-Dec-19						5		
	31-Dec-18						5		
Global Oltremare Soc.Cons.a.r.l.	31-Dec-19		24					71	
	31-Dec-18		10					46	
Ferraria Soc.Cons.a r.l.	31-Dec-19	4,304	4,919			3,653		2,852	
	31-Dec-18	3,541	4,047			2,363		1,885	
Sicura S.p.A	31-Dec-19	576	958		90	643	24	1,037	3,015
	31-Dec-18	610	880		12	25	23	676	1,240

DIRECTLY AND INDIRECTLY-CONTROLLED COMPANIES		**Revenues**	**Costs**	**Financial income**	**Financial charges**	**Trade receivables**	**Financial receivables and others**	**Trade payables**	**Financial payables and others**
Gymnasium Soc.Cons.a r.l.	31-Dec-19					1	8	33	
	31-Dec-18					1	8	33	
Imola Verde e Sostenibile Soc. Cons. a r.l.	31-Dec-19								3
	31-Dec-18								
Isom Gestione Soc.Cons.a.r.l.	31-Dec-19	14,143	8,024			9,572		3,325	
	31-Dec-18	10,882	7,355			10,169		2,255	
Isom Lavori Soc.Cons.a.r.l.	31-Dec-19	24				521		215	
	31-Dec-18	25				468		508	
H2H Facility Solutions S.p.a.	31-Dec-19	2,739	3		120	913	46	5	4,364
	31-Dec-18	3,183	6		135	1,359	45	131	2,817
Medical Device S.r.l.	31-Dec-19					3			
	31-Dec-18								
Palmanova servizi energetici soc.cons. a r.l.	31-Dec-19	26	73			807		588	
	31-Dec-18	406	864			755		743	
S.AN.CO. Soc. Conso a r.l.	31-Dec-19	37	(54)			33	861	(260)	604
	31-Dec-18	36	(24)			44	861	(207)	595
S.AN.GE Soc. Cons. a r.l.	31-Dec-19	21,899	13,349	164		5,232	4,654	6,353	
	31-Dec-18	21,372	12,723	159		4,661	4,503	4,819	
Servizi Brindisi soc.cons.a r.l.	31-Dec-19		6			264		(65)	
	31-Dec-18		30			264		(72)	
Servizi Ospedalieri S.p.A.	31-Dec-19	979	36	2,329		1,161	24,830	30	4
	31-Dec-18	1,563	33	2,393		532	26,341	46	3
Servizi Taranto Soc. Cons. a r.l.	31-Dec-19	1,511	3,685			464		1,624	56
	31-Dec-18	1,558	3,755			597		1,695	56
Simagest 2 Soc.Cons.a r.l.	31-Dec-19						75	13	2
	31-Dec-18						75	13	2
Simagest 3 Soc.Cons.a r.l.	31-Dec-19						3	3	
	31-Dec-18						3	3	
Telepost S.p.A.	31-Dec-19	741	507		11	163		254	496
	31-Dec-18	721	176		16	163	30	48	665
Logistica Sud-Est Soc. Cons. a r.l.	31-Dec-19	810	2,055			611		1,023	
	31-Dec-18	769	1,905			783		1,648	
Rekeep Digital S.r.l.	31-Dec-19	349	2,206	63		18	3,774	1,466	86
	31-Dec-18	330	1,722		3	3	766	921	84

DIRECTLY AND INDIRECTLY-CONTROLLED COMPANIES		**Revenues**	**Costs**	**Financial income**	**Financial charges**	**Trade receivables**	**Financial receivables and others**	**Trade payables**	**Financial payables and others**
San Gerardo Servizi Soc. Cons. a r.l.	31-Dec-19	5,372	3,830			4,772		3,129	
	31-Dec-18	7,361	3,758			3,483		76	
Rekeep World S.r.l.	31-Dec-19	211	18	278		42	11,054	31	14
	31-Dec-18	487	18	135		63	6,229	15	9
Protec S.r.l.	31-Dec-19	20				24			
	31-Dec-18	20				12			
Evimed S.r.l.	31-Dec-19	27	456			32		426	
	31-Dec-18	27	172			16		63	
MCF Servizi Integrati Soc. Cons. a r.l.	31-Dec-19	65	29			797		453	
	31-Dec-18	3,810	5,535			2,207		2,381	
KANARIND Soc. Cons.a rl	31-Dec-19	10,117	7,219			8,015		4,006	
	31-Dec-18	7,962	5,872			3,470		1,786	
Leonardo S.r.l.	31-Dec-19								
	31-Dec-18	46	281			28		198	
YOUGENIO S.r.l.	31-Dec-19	117	10	101		7	3,330	13	
	31-Dec-18	126	9	101		5	530	47	
M.S.E. Soc. Cons. a r.l.	31-Dec-19	103	347			108	256	345	
	31-Dec-18	670	891			315		426	
Elene Project S.r.l.	31-Dec-19	1,558	27	43		408	9	29	
	31-Dec-18	2,244	13	9		1,154	573		
Rekeep Rail S.r.l.	31-Dec-19	361			3	52	34		1,945
	31-Dec-18	51	5	10		157	1,611	5	606
H2H Cleaning S.r.l.	31-Dec-19	20	13			83	3	13	22
	31-Dec-18								
Energy Saving Valsamoggia S.r.l.	31-Dec-19	1,279		47		1,207	551		
	31-Dec-18						504		
TOTAL INDIRECTLY AND DIRECTLY-CONTROLLED COMPANIES	**31-Dec-19**	**68,990**	**50,732**	**3,025**	**223**	**42,842**	**49,615**	**29,771**	**10,611**
	31-Dec-18	**69,068**	**51,434**	**2,807**	**167**	**35,257**	**42,145**	**21,816**	**6,080**

JOINT VENTURES		Revenues	Costs	Financial income	Financial charges	Trade receivables	Financial receivables and others	Trade payables	Financial payables and others
Cardarelli Soc. Cons. a r. l.	31-Dec-19		7						
	31-Dec-18		39					40	
DUC Gestione Sede Unica Soc.Cons.a r.l.	31-Dec-19	7,075	3,538			3,877		996	
	31-Dec-18	7,216	3,455			3,666		773	
Legnago 2001 Soc.Cons.a r.l.	31-Dec-19		4			158		54	
	31-Dec-18		4			158		50	
SCAM Soc.Cons. a r.l.	31-Dec-19							53	
	31-Dec-18							53	
Serena s.r.l. in liquidation	31-Dec-19						3		
	31-Dec-18						7		
CO. & MA.Soc. Cons. a r.l	31-Dec-19	360	1,035			240	20	839	
	31-Dec-18	360	1,120			300	20	929	
TOTAL JOINT VENTURES	**31-Dec-19**	**7,576**	**4,618**	**0**	**0**	**4,124**	**27**	**1,844**	**0**
	31-Dec-18	**7,418**	**5,035**	**0**	**0**	**3,742**	**23**	**2,192**	**0**

ASSOCIATES		Revenues	Costs	Financial income	Financial charges	Trade receivables	Financial receivables and others	Trade payables	Financial payables and others
Bologna Gestione Patrimonio soc.cons. a r.l.	31-Dec-19								
	31-Dec-18							89	
Bologna Multiservizi soc.cons.a r.l.	31-Dec-19		40						
	31-Dec-18		27						
Bologna Più Soc.Cons. a r.l. in liquidation	31-Dec-19						3	3	2
	31-Dec-18						3	3	2
Como Energia Soc.Cons.a r.l.	31-Dec-19							102	
	31-Dec-18		46					102	
Gico Systems S.r.l.	31-Dec-19	7	1,306			5		919	
	31-Dec-18	8	1,282			6		927	
Global Provincia di RN Soc.Cons.a r.l.	31-Dec-19						70	13	
	31-Dec-18						70	13	
Global Riviera Soc.Cons.a r.l.	31-Dec-19		8					(23)	
	31-Dec-18		8					(31)	
	31-Dec-19		(4)				10	14	

ASSOCIATES		Revenues	Costs	Financial income	Financial charges	Trade receivables	Financial receivables and others	Trade payables	Financial payables and others
Global Vicenza soc.cons. a r.l.	31-Dec-18		11				10	17	
Livia soc.cons. a r.l.	31-Dec-19								
	31-Dec-18								
Logistica Ospedaliera Soc.Cons.a r.l.	31-Dec-19							15	
	31-Dec-18							15	
Newco DUC Bologna S.p.A.	31-Dec-19		15					51	
	31-Dec-18							37	
Roma Multiservizi S.p.A.	31-Dec-19	164	1,124			2,825		345	
	31-Dec-18	960	1,374			3,010		608	
Savia Soc. Cons. a r.l.	31-Dec-19								
	31-Dec-18		(4)					36	
Servizi Napoli 5 soc.cons. r.l.	31-Dec-19	1,400	1,322			2,773		1,731	
	31-Dec-18	1,397	1,310			2,710		1,820	
TOWER Soc. Cons. a r.l. in liquidation	31-Dec-19					33	29		
	31-Dec-18					33	29		
Bologna Global Strade Soc. Cons a r.l.	31-Dec-19	2,638	4,711			2,322	336	3,461	
	31-Dec-18	3,369	5,821			2,597	336	3,796	
BGP2 Soc.Cons. a r.l.	31-Dec-19		878			208		844	
	31-Dec-18		346			452		623	
Gestione Strade Soc. Cons. a r.l.	31-Dec-19	107	1,273			57	63	815	
	31-Dec-18		84					95	
S.E.I. Energia Soc. Cons. a r.l.	31-Dec-19	67		22		121	776		
	31-Dec-18	53				63	735		
TOTAL ASSOCIATES	**31-Dec-19**	**4,382**	**10,673**	**22**	**0**	**8,344**	**1,285**	**8,290**	**2**
	31-Dec-18	**5,787**	**10,037**	**0**	**0**	**8,872**	**1,182**	**8,150**	**2**

SUBSIDIARIES AND ASSOCIATES OF MANUTENCOOP SOCIETA' COOPERATIVA		**Revenues**	**Costs**	**Financial income**	**Financial charges**	**Trade receivables**	**Financial receivables and others**	**Trade payables**	**Financial payables and others**
Cerpac S.r.l. in liquidation	31-Dec-19					1			
	31-Dec-18					1			
Manutencoop Immobiliare S.p.A.	31-Dec-19								
	31-Dec-18	10	641			3	80		
Nugareto Società Agricola Vinicola S.r.l.	31-Dec-19		5					5	
	31-Dec-18	15	10			1		5	
Segesta S.r.l.	31-Dec-19	5				2			
	31-Dec-18	6				2			
Sacoa s.r.l.	31-Dec-19	43	20			15			
	31-Dec-18	67	37			25	23	22	
TOTAL SUBSIDIARIES OF MANUTENCOOP SOCIETA' COOPERATIVA	**31-Dec-19**	**49**	**25**	**0**	**0**	**18**	**0**	**5**	**0**
	31-Dec-18	**98**	**688**	**0**	**0**	**32**	**103**	**27**	**0**
Consorzio Karabak Società Cooperativa	31-Dec-19	73				26			
	31-Dec-18	66				21			
Consorzio Karabak Due soc.coop	31-Dec-19	5	1			2			
	31-Dec-18	3	1			1		1	
Consorzio Karabak Quattro coop	31-Dec-19							1	
	31-Dec-18		1					1	
TOTAL ASSOCIATES OF MANUTENCOOP SOCIETA' COOPERATIVA	**31-Dec-19**	**78**	**1**	**0**	**0**	**27**	**0**	**1**	**0**
	31-Dec-18	**69**	**3**	**0**	**0**	**22**	**0**	**3**	**0**

		Revenues	**Costs**	**Financial income**	**Financial charges**	**Trade receivables**	**Financial receivables and others**	**Trade payables**	**Financial payables and others**
TOTAL RELATED PARTIES	**31-Dec-19**	**81,058**	**90,108**	**3,048**	**1,185**	**55,551**	**56,472**	**47,114**	**39,417**
	31-Dec-18	**82,822**	**94,565**	**2,807**	**9,057**	**48,392**	**54,030**	**40,025**	**6,316**

Sometimes technical services and works are performed in favour of individuals who hold top management positions within the Rekeep Group, on the basis of contracts entered into at arm's length. Advances of Euro 1,311 thousand collected against these services were recognized at 31 December 2019.

Below are the main contracts in place within the Group controlled by Manutencoop Società Cooperativa:

- Manutencoop Società Cooperativa sub-leased to the Company the part of the property located in Zola Predosa, via Poli no. 4 (BO), for office use. The duration of the lease has a 5-year term and is tacitly renewable, except in the event of termination by one of the parties. Annual rent is expected to be Euro 1,333 thousand, to be paid in 12 monthly instalments;
- Manutencoop Società Cooperativa also leased to Rekeep S.p.A. the part of the property located in Mestre (VE), via Porto di Cavergnago no. 6, for office use. The contract has a 6-year term, tacitly renewable. Annual rent is expected to be Euro 322 thousand, to be paid in 12 monthly instalments;
- On 6 July 2007, Rekeep S.p.A. signed a framework agreement with its parent company, Manutencoop Società Cooperativa, in order to regulate the essential contents of subsequent personnel leases from Manutencoop Cooperativa to the Subsidiary pursuant to Title III, Chapter I of Legislative Decree 276/2003. The contract has a five-year term, and is tacitly renewed, unless terminated by one of the parties. As a result of said agreement, which has the legal nature of a legislative contract that does not provide rights to third parties, Rekeep S.p.A. and the parent company Manutencoop Società Cooperativa, set out the conditions that regulate any future contracts for the leasing of shareholding personnel of Manutencoop Società Cooperativa, and the operating rules for establishing and resolving said contracts;
- Manutencoop Società Cooperativa is committed to provide, on the basis of contracts stipulated with the individual companies of the Rekeep Group, the payroll service relating to the Company's employees;
- The Company signed agreements with Manutencoop Società Cooperativa and other Group companies, for the provision of tax consultancy services;
- Starting from 2004, the Company applied the tax consolidation of the Parent Company Manutencoop Società Cooperativa, pursuant to art. 117 et seq. of the TUIR (Italian Consolidated Law on Income Tax). The agreement can be renewed every three years and, during the year, it was extended for the period from 2019 to 2021. Relations between the consolidating company Manutencoop Società Cooperativa and the consolidated company, deriving from the transfer to the Parent Company of taxable amounts and tax losses, generated by the consolidated company, are regulated contractually.

The Company is subject to the management and coordination activities of Manutencoop Società Cooperativa and, pursuant to art. 2497-bis, paragraph 4 of the Italian Civil Code, the key figures of the latest set of approved financial statements are provided below:

	31 December 2018	31 December 2017
STATEMENT OF FINANCIAL POSITION		
ASSETS		
A) Subscribed capital, unpaid	69	76
B) Fixed assets	321,247	329,439
C) Working capital	22,688	28,590
D) Accruals and Deferrals	1,109	1,360
TOTAL ASSETS	**345,114**	**359,465**
LIABILITIES AND SHAREHOLDERS' EQUITY		
A) Shareholders' equity:		
Share capital	5,713	5,950
Reserves	280,839	176,429
Profit/(Loss) for the year	(3,102)	107,639
B) Provision for risks and charges	148	280
C) Employee Severance Indemnity	1,280	1,361
D) Payables	59,594	67,109
E) Accruals and Deferrals	642	697
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**345,114**	**359,465**
INCOME STATEMENT		
A) Value of production	30,658	36,149
B) Cost of production	(29,797)	(38,370)
C) Financial income and charges	(3,827)	97,369
D) Financial asset value adjustments	(697)	(2,610)
Income taxes for the year	561	15,100
Profit/(Loss) for the year	**(3,102)**	**107,639**

Fees due to the members of the governing and control bodies and to executives with strategic responsibilities

Fees paid to members of governing and control bodies reported below include the total fees paid for any reason and in any form to the members of these corporate bodies during 2019, as well as those paid to the Executives with Strategic Responsibilities:

	2019	2018
BOARD OF DIRECTORS		
Short-term benefits	467	445
TOTAL BOARD OF DIRECTORS	**468**	**445**
BOARD OF STATUTORY AUDITORS		
Short-term benefits	109	109
TOTAL BOARD OF STATUTORY AUDITORS	**109**	**109**
OTHER STRATEGIC EXECUTIVES		
Short-term benefits	2,773	3,401
Subsequent benefits	136	128
TOTAL OTHER STRATEGIC EXECUTIVES	**2,908**	**3,529**

The table below reports the fees accrued in 2019 for the audit and non-audit services rendered by the EY S.p.A and by entities in their network :

	31 December 2019	31 December 2018
Audit services	381	455
Other services	57	58
Other certifications	27	129
TOTAL FEES DUE TO EY S.p.A. NETWORK COMPANIES	**465**	**641**

37. MANAGEMENT OF FINANCIAL RISKS

Management of financial requirements and the relative risks (mainly interest rate and liquidity risk) is performed centrally by the Group's finance function on the basis of guidelines approved by the Board of Directors, which are reviewed periodically. The main objective of these guidelines is to guarantee the presence of a liability structure that is balanced with the composition of assets in the financial statements, in order to maintain a high level of capital strength.

During the last quarter of the 2017 financial year the parent company Manutencoop Società Cooperativa carried out a corporate reorganisation and refinancing of the entire Manutencoop Group. The corporate reorganisation involved the transfer of the shares held by Manutencoop Società Cooperativa in subsidiary Rekeep S.p.A. to a newly-established corporate SPV named CMF S.p.A., which is now the direct Parent Company of Rekeep S.p.A. itself. Specifically, CMF S.p.A. was established for the launch of a

Senior Secured bond issue aimed at repurchasing the Notes already issued by the Parent Company Rekeep S.p.A. in 2013, s well as at purchasing the shares held by the minority interests in the share capital of the Parent Company Rekeep S.p.A. and repaying the other financial debt of the entire Group controlled by Manutencoop Società Cooperativa.

Therefore, on 6 July 2017, CMF S.p.A. launched a high-yield bond issue named "*€360,000,000 9.0% Senior Secured Notes due 2022*", which is not convertible and not subordinated, for a total amount on account of principal of Euro 360 million and due 15 June 2022. The Notes, which were reserved for institutional investors and were listed on the Euro MTF segment managed by the Luxembourg Stock Exchange, as well as on the Extra MOT, Pro Segment, of Borsa Italiana, were issued at a price equal to 98% and a coupon at a fixed rate of 9.0% p.a., payable on a six-monthly basis. The terms and conditions referred to in the rules of the Bond Issue are laid down in the Indenture, which is governed by the law of the State of New York. On the same date Rekeep S.p.A. received from CMF S.p.A. a Proceeds Loan amounting to Euro 190,300 thousand, subsequently partially repaid, which allowed it, at the same time as the use of a portion of its own Cash and cash equivalents, to have sufficient liquidity to proceed with an early redemption of the Notes issued in 2013.

At the same time, using the remaining portion of cash acquired through the subscription of the Notes, CMF S.p.A. completed the acquisition of the shares held by Institutional Investors in the share capital of Rekeep S.p.A. (equal to 33.2%), thus becoming the sole shareholder of Rekeep S.p.A..

After having attained the set objectives, as required by the Offering Memorandum for the bond issue, on 1 July 2018 the Group completed the merger of CMF S.p.A. by incorporation into its subsidiary Rekeep S.p.A., according to Article 2501-*bis* (merger with debt). The merger entailed the acquisition, directly by Rekeep S.p.A., of the high-yield bond issue named "€360,000,000 9.0% Senior Secured Notes due 2022", which is not convertible and not subordinated, for an overall amount of principal of Euro 360 million, due 15 June 2022. At the same time, the Proceeds Loan granted by CMF S.p.A. to Rekeep S.p.A. was paid off.

The other financial instruments that are traditionally used by the Group Companies are made up of :

- short-term loans and revolving non-recourse and recourse factoring transactions targeted at funding working capital.;
- very short-term credit facilities used for contingent cash requirements;
- medium/long-term loans with a multi-year repayment plan to cover investments in fixed assets and acquisitions of companies and business units.

The Company also uses trade payables deriving from operations as financial instruments. The corporate policy is not to trade financial instruments.

The Company's financial instruments were classed into three levels provided by IFRS 7. In particular, the hierarchy of fair value is defined in the following levels:

- Level 1: corresponds to prices of similar liabilities and assets listed on active capital markets;
- Level 2: corresponds to prices calculated through features taken from observable market data;
- Level 3: corresponds to prices calculated through other features that are different from observable market data.

The table below shows the hierarchy for each class of financial asset measured at fair value as at 31 December 2019 and 31 December 2018:

	Hierarchy				Hierarchy			
	31 December 2019	**Level 1**	**Level 2**	**Level 3**	**31 December 2018**	**Level 1**	**Level 2**	**Level 3**
Financial assets at fair value through profit or loss								
Financial receivables, securities and other non-current financial assets	101	101			101	101		
of which securities	101	101			101	101		
Available-for-sale financial assets								
Financial receivables and other current financial assets	0				0			
of which hedging derivatives	0				0			
of which non-hedging derivatives	0				0			
TOTAL FINANCIAL ASSETS	**101**	**101**			**101**	**101**		

During 2019 the Company did not make recourse to hedging derivatives. In 2019 there were no transfers between fair value measurement levels.

There were no changes in allocation of financial assets that led to a different class of assets. The Company does not hold instruments to warrant amounts receivable to mitigate credit risk.

Classes of financial assets and liabilities

The following table shows the classification of financial assets and liabilities recorded in the financial statements, as required by IFRS 7, and the associated economic effects for the year closed as at 31 December 2019:

	31 December 2019	Financial Assets at Fair value through OCI	Loans and receivables
Non-current financial assets			
Other investments	4,695	4,695	
Non-current financial assets	30,188		30,188
Other non-current assets	97,315		97,315
Total non-current financial assets	**132,199**	**4,695**	**127,504**
Current financial assets			
Trade receivables and advances to suppliers	289,193		289,193
Current tax receivables	6,474		6,474
Other current assets	16,798		16,798
Current financial assets	25,265		25,265
Cash and cash equivalents	64,654		64,654
Total current financial assets	**402,383**	**0**	**402,383**
Total financial assets	**534,582**	**4,695**	**529,886**
Financial income	**6,640**	**0**	**6,640**

	31 December 2019	Financial Liabilities at Fair Value in Equity/Income statement	Financial liabilities measured at amortised cost
Non-current financial liabilities			
Non-current loans	377,265		377,265
Total non-current financial liabilities	**377,265**	**0**	**377,265**
Current financial liabilities			
Trade payables and advances from customers	281,404		281,404
Short-term loans	55,693		55,693
Total current financial liabilities	**337,097**	**0**	**337,097**
Total financial liabilities	**714,362**	**0**	**714,362**
Financial (charges)	**(42,674)**	**0**	**(42,674)**

The same information is reported below for the financial year ended 31 December 2018:

	31 December 2018	Financial Assets at Fair value through OCI	Loans and receivables
Non-current financial assets			
Other investments	4,644	4,644	
Non-current financial assets	30,745		30,745
Other non-current assets	2,362		2,362
Total non-current financial assets	**37,751**	**4,644**	**33,107**
Current financial assets			
Trade receivables and advances to suppliers	307,940		307,940
Current tax receivables	10,410		10,410
Other current assets	13,100		13,100
Current financial assets	19,588		19,588
Cash and cash equivalents	63,379		63,379
Total current financial assets	**414,417**	**0**	**414,417**
Total financial assets	**452,168**	**4,644**	**447,524**
Financial income	**3,896**	**0**	**3,896**

	31 December 2018	Financial Liabilities at Fair Value in Equity/Income statement	Financial liabilities measured at amortised cost
Non-current financial liabilities			
Non-current loans	357,538		357,538
Total non-current financial liabilities	**357,538**	**0**	**357,538**
Current financial liabilities			
Trade payables and advances from customers	285,075		285,075
Short-term loans	37,989		37,989
Total current financial liabilities	**323,064**	**0**	**323,064**
Total financial liabilities	**680,602**	**0**	**680,602**
Financial (charges)	**(32,370)**	**0**	**(32,370)**

Liquidity risk

The Company's objective is to maintain a balance between funding and flexibility through the use of current account overdrafts, short-term bank loans (hot money and advances), finance leases and medium/long-term loans.

The Company is characterised by a labour-intensive model which does not involve significant requirements of capital for investments. However, the customers are mainly composed of public authorities, known for long payment times in respect of the services provided. This aspect means the Company has to also finance working capital through bank indebtedness.

For this purpose the Company may make use of committed credit lines in the form of loans or of assignments without recourse of trade receivables in order to meet financial requirements (if any).

On 27 December 2018 Rekeep S.p.A. and its subsidiary Servizi Ospedalieri S.p.A. signed a 3-year maturity factoring agreement with Bancafarmafactoring S.p.A concerning the assignment without recourse and on a revolving basis of receivables claimed by the same companies from Entities in the National Health System and Public Administration, in an amount of up to Euro 200 million. The new agreement replaces the previous contract, which was entered into in 2016 again with Banca Farmafactoring S.p.A. and which provided for an annual ceiling of up to Euro 100 million for the assignment of receivables claimed from the National Health System only.

Within the context of the abovementioned refinancing transaction, CMF S.p.A. also signed a Super Senior Revolving (RCF2) loan agreement for a total amount of Euro 50 million, governed by English law, to which the Company is a party as a borrower. Specifically, the Super Senior Revolving Loan agreement was entered into between, among others, CMF S.p.A., on the one hand, and J.P. Morgan Limited and UniCredit S.p.A., which act as Mandated Lead Arrangers, UniCredit Bank AG, Milan Branch, as Agent and Security Agent, and the Original Lenders, on the other hand. After the merger, the subsidiary Servizi Ospedalieri S.p.A. may also access the revolving credit facility, providing a specific personal security. No amount arising from uses under the Super Senior Revolving Loan Agreement may be used, directly or indirectly, in order to, among other things, proceed with the repurchase or redemption of the Bond Issue or the purchase of shares in the Company or distributions to CMF S.p.A.. The RCF line, which had not yet been used at the reporting date, is an important cash elasticity tool that can be activated on demand within a limited number of business days.

Finally, on 14 November 2017 the Company signed a new loan agreement with CCFS for a total amount of Euro 10 million. The loan includes two lines of credit, the first of which, amounting to Euro 5,000 thousand, was disbursed at the same time as the execution and will expire in April 2023. The second 66-month line of credit, for an additional amount of Euro 5,000 thousand, was disbursed on 13 February 2018, after the end of the financial year and provides for the repayment in six-monthly instalments, with a pre-amortization period of 12 months.

The management believes that the structure of the financial debt maturity, as well as the availability of the abovementioned committed credit lines, allow the Group to meet its financial requirements in an adequate manner.

Price risk

The only risk of this kind to which the Company is exposed concerns changes in the price of oil products, in relation to heat management activities.

These changes are, in certain cases accommodated by the conditions of contracts in place with customers, given that price revision is provided for both by contract, and by art. 115 of Decree Law no. 163 of 12 April 2006. Therefore, it is deemed that the effect arising from changes in prices, even significant, on the Company's profit for the year, would essentially be insignificant, in terms of amount.

Credit risk

The Company has contracts with Public Administration, a situation that does not present insolvency problems, but which requires constant contact with customers in order to minimise delays caused by the Authority's red-tape and jointly resolve problems relating to their financial management.

There are no significant credit concentration risks to report, which are carefully monitored by the Company. Furthermore, given the continuing economic downturn, the Company has equipped itself with specific procedures and structures aimed at a more efficient management of its working capital, as well as of debt collection.

Fair value

The Company's financial instruments recorded in the financial statements do not deviate from fair value, given that all are at a variable interest rate, short/medium-term and at market interest rates.

The comparison between the carrying amount and fair value of the main financial assets and liabilities is shown below:

	Carrying Amount		Fair value	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Financial assets				
Cash and cash equivalents	64,654	63,379	64,654	63,379
Receivables and other current financial assets	25,265	19,588	25,265	19,588
Other minority interests	4,695	4,644	4,695	4,644
Non-current financial receivables	30,188	30,745	30,188	30,745
Financial liabilities				
Loans:				
- Variable rate loans	42,219	38,009	42,219	38,009
- Fixed rate loans	339,905	347,142	339,905	347,142
Other current financial liabilities	50,834	10,376	50,834	10,376

Interest rate risk

With the refinancing transaction carried out through CMF S.p.A., the Company has requalified its own financial structure, extending the maturity of the medium/long-term debt and keeping a short-term debt portion balanced with respect to the financing requirements of its working capital.

The main source of financing of the Company consists of the Senior Security Notes bond issue with a coupon at a fixed rate of 9% following the merger by incorporation of CMF S.p.A. on 1 July 2018.

In addition to the bond issue the Company uses, as medium/long-term financing, bank loans subject to the application of fixed interest rates, and finance lease agreements subject to the application of variable interest rates. The forms of short-term financing used by the Company, which are mainly subject to the application of variable rates which can be identified as the EURIBOR rate, include current account overdrafts, short- and very short-term (hot money) bank loans and assignments of receivables.

The indebtedness mix is then mainly linked to medium/long-term fixed interest rates.

The breakdown of financial instruments exposed to interest rate risks is listed in note 18, to which reference should be made as regards Loans, in addition to the entries in the balance sheet items *Cash and cash equivalents* in Note 14, *Receivables and other current financial assets* in Note 13 and *Non-current financial assets* in Note 8.

Interest rate sensitivity analysis

The structure of the debt is affected, to a marginal extent, by the changes in market rates, as it is mainly based on forms of financing subject to the payment of interest calculated on the basis of fixed rates, as described above. For the remaining amount, the Company makes recourse to variable rate loans, which are linked to the EURIBOR performance.

The following table shows the sensitivity of pre-tax profit in the period, as a result of reasonably possible changes in interest rates, maintaining all other variables constant:

	Increase / Decrease	Effect on profit before taxes (in thousands of Euro)
Financial year ended 31 December 2019	+150 bps	(1,418)
	-30 bps	284
Financial year ended 31 December 2018	+150 bps	(2,764)
	-30 bps	553

Exchange rate risk

The Company operates in the national market and, therefore, it is not exposed to exchange rate risk.

Capital management

The key objective of the Company's capital management is to guarantee that a solid credit rating is maintained as well as adequate capital ratios to support operations and to maximise value for shareholders. The Company manages the capital structure and amends it on the basis of changes in economic conditions. In order to maintain or adjust the capital structure, the Company can adjust the dividends paid to shareholders, repay principal or issue new shares. The Company checks its debt ratio, by assessing the ratio of net debt to the total of own equity and net debt. The Company includes, in net debt, interest-bearing loans, trade payables, other payables and provisions for employee severance indemnity, net of cash and cash equivalents.

	31 December 2019	31 December 2018
Employee termination indemnity	6,728	7,072
Interest-bearing loans	432,958	395,527
Trade payables and other payables	444,424	354,731
Cash and cash equivalents	(89,919)	(82,967)
Net Debt	**794,191**	**674,002**
Capital	109,150	109,150
Reserves and retained earnings	56,434	65,742
Total capital	**165,584**	**174,892**
EQUTIY AND NET DEBT	**959,775**	**848,894**
INDEBTEDNESS RATIO	**83%**	**79%**

There was an increase in the debt ratio compared to 31 December 2018, mainly due to the recognition of the financial liability for operating leases (for the abovementioned adoption of the new accounting standard IFRS 16) which amounted to Euro 33,055 at 31 December 2019. Furthermore, higher trade and operating payables were recognized for Euro 90,053, mainly against the recognition of liabilities relating to the notice of payment of the deposit requested within the dispute relating to the FM4 Tender (for which reference should be made to note 21).

38. OTHER INFORMATION

In 2019 the Company received financial benefits from Public Authorities or entities treated as such as referred to in Law no. 124 of 4 August 2017 bearing "*Annual Act on market and competition".*

Specifically, Rekeep S.p.A. achieved tax credits on R&D projects which meet the requirements provided for in Law no. 190 of 23 December 2014 (Article 1, paragraph 35), partly amended by Law no. 232 of 11 December 2016 (Article 1, paragraphs 15 and 16), as detailed in note 27 above.

Finally, additional financial benefits were obtained for a lower amount, for which reference should be made to the information provided in the "Register of State Aids" published on-line .

39. SUBSEQUENT EVENTS

On 28 February 2020 the agreement was signed for the sale of the total share capital of Sicura S.p.A. to Argos Wityu, a pan-European Private Equity fund. The transfer took place for a consideration equal to Euro 55,041 thousand, which was paid by the Italian Company AED S.r.l.. On the same date, Rekeep S.p.A. acquired 5.96% of EULIQ VII S.A., a company with registered

office in Luxembourg, which directly controls AED S.r.l, with the aim to maintain an industrial partnership with the group controlled by Sicura S.p.A..

This sale is a part of the Rekeep S.p.A.'s strategy of focusing on its core business, which also includes the sale of non-strategic assets, and allows the Group for which it is the parent company to free up financial resources for the implementation of the Business Plan, one of whose priority activities is business development in foreign markets.

As of the date of the preparation of the Separate Financial Statements, an international health emergency is in progress deriving from the widening of the Coronavirus (COVID-19) epidemic, which started in China and spread at the end of February 2020 to Europe, including Italy, the country of the Company's head office and one of those most affected by the diffusion of COVID-19.

Rekeep S.p.A., in accordance with the urgent legislative measures taken by the Italian Government and the instructions given by the Italian Ministry of Health and the Regions involved, has taken preventive measures and issued operating instructions to contain the spreading of the virus and safeguard the users of its services, its workers, its customers and its potential visitors. The Company and Group's Management staff members monitor the situation continuously so that they can take all the decisions in real time that are necessary to protect the health of the persons they are involved with on any basis.

As matters stand at present, it is not yet possible to make a reliable estimate of the impacts of this emergency.

More than 50% of the Rekeep Group's activities consist of the provision of essential healthcare services. In the present emergency scenario, both Rekeep S.p.A., and its subsidiary Servizi Ospedalieri have received and are receiving requests for extra services and supplies such as extraordinary sanitisation and cleaning, fitting out hospital wards, other extraordinary maintenance work, additional bed linen and clothing and other equipment for healthcare personnel. The Group companies involved are continuing to deliver their services at full working capacity where requested, adopting all the preventive measures necessary to safeguard employees, healthcare personnel and users. These measures entail the additional cost of purchasing medical devices and specialist products.

On the other hand there is a partial reduction in activity in the private domestic market and in the sector of Public non-health Entities owing to the partial or total closure of offices, schools, museums, transport and commercial businesses.

The Management is monitoring the situation constantly and adopting all the possible solutions to limit costs, including through use of the incentives and social shock absorber measures provided by the Government.

On the basis of the action taken to deal with the present situation so far and the information to hand regarding the prolongation of the emergency measures taken by the Italian Government (and by the governments of the foreign countries in which the Group operates), as of the date of the preparation of this report, we do not believe that the effects of the COVID-19 emergency on the results for the 2020 financial year will be so substantial as to prevent the Company from obtaining positive results at the end of the year.

40. ALLOCATION OF THE PROFIT FOR THE YEAR

In completing the report for the 2019 financial year, the Directors invite the shareholders to approve the Financial Statements of Rekeep S.p.A. at 31 December 2019 and to allocate the profit for the year, equal to Euro 5,741,153.70 to Extraordinary Reserve for the entire amount, given that the limits set out in Article 2430 of the Italian Civil Code have been achieved for Legal Reserve.

Zola Predosa, 24 March 2020

The Chairman and CEO

Giuliano Di Bernardo

INDIPENDENT AUDITOR'S REPORT

2019

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Rekeep S.p.A.

Financial statements as at December 31, 2019

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010

EY S.p.A.
Via Massimo D'Azeglio, 34
40123 Bologna

Tel: +39 051 278311
Fax: +39 051 236666
ey.com

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010
(Translation from the original Italian text)

To the Sole Shareholder of
Rekeep S.p.A.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Rekeep S.p.A. (the Company), which comprise the statement of financial position as at December 31, 2019, and the statement of profit or loss, the statement of other comprehensive income, the statement of cash flows and the statement of changes in shareholders' equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as 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.

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 21 -Contingent Liabilities of the financial statements, which describes management evaluation regarding the sanction imposed on Rekeep S.p.A. by the Autorità Garante della Concorrenza e del Mercato (Antitrust Authority) on May 9, 2019 and the related effects on the financial statements.
Our opinion is not modified in respect of this matter.

Other Matter

The audit activity has been partially affected by the spreading of COVID 19 and all related measures imposed by the Italian government to protect the public health, including restrictions to all travel initiatives. Consequently, due to an objective situation of force majeure, certain audit procedures performed in accordance with the applicable auditing standards have been carried out considering (i) a revised organization of our employees and audit teams, based on a wide use of smart working models, and (ii) different means to connect with client management personnel and gather audit evidence, that primarily involved the use of electronic support provided through remote communication networks.

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

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- we have identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

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

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

Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010

The Directors of Rekeep S.p.A. are responsible for the preparation of the Report on Operation of Rekeep S.p.A. as at December 31, 2019, including its consistency with the related financial statements and its 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, with the financial statements of Rekeep S.p.A. as at December 31, 2019 and on its compliance with the applicable laws and regulations, and in order to assess whether it contains material misstatements.

In our opinion, the Report on Operation is consistent with the financial statements of Rekeep S.p.A. as at December 31, 2019 and comply with the applicable laws and regulations.

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

Bologna, April 9, 2020

EY S.p.A.
Signed by: Alberto Rosa, partner

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

MINUTES OF THE SHAREHOLDERS' MEETING

2019

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REKEEP S.p.A. (Sole-Shareholder Company)

Via Ubaldo Poli no. 4

40069 Zola Predosa (Bologna)

VAT – tax Code and Bologna Register of Companies no. 02402671206

Share capital € 109,149,600 fully paid-up

"Company subject to management and coordination by
Manutencoop Soc. Coop. – Zola Predosa (BO)"

MINUTES OF THE ORDINARY SHAREHOLDERS' MEETING - APRIL 24, 2020

Today, Friday April 24, 2020 at 10:00 a.m. at the registered office in Zola Predosa (BO), Via Poli n. 4, regularly called in accordance with the By-Laws, by e-mail on April 6, 2020, the Ordinary Shareholders' Meeting of Rekeep S.p.A. convened.

Pursuant to art. 16 of the By-Laws, the Vice Chairman of the Board of Directors, Mr Giuliano Di Bernardo, chaired the Meeting, noting that:

- there is the Sole Shareholder, Manutencoop Soc. Coop., carrying 109,149,600 shares, representing 100% of the share capital, in the person of its Chairman Mr Claudio Levorato;
- there is the Board of Directors, in the persons of the Chairman himself and, by conference call, of the Vice-Chairman, Mr Giuseppe Pinna and of Directors, Messrs. Laura Duò, Rossella Fornasari, Paolo Leonardelli, Gabriele Stanzani and Matteo Tamburini;
- there is the Board of Statutory Auditors, by conference call, in the persons of Messrs. Germano Camellini (Chairman of the Board of Statutory Auditors), Marco Benni and Michele Colliva (Standing auditors).

The Chairman of the Meeting, noting that the By-Laws do not require the advance deposit of the shares' certificate, established the identity of all parties - expressly including those participating in the teleconference meeting as previously instructed - and that everyone is in the condition to participate at the meeting, follow the discussion and intervene in real time to the same, verified the regularity of the convocation and the legitimacy of the participation of the above mentioned members, then declares the meeting properly established and able to deliberate on the following agenda:

1. **Financial statements as at December 31, 2019, Report on Operations, Report of the Board of Statutory Auditors and Report of the Independent Auditors: related and consequent resolutions.**
2. **Appointment of the members of the Board of Directors: related and consequent resolutions;**
3. **Appointment of the members of the Board of Statutory Auditors: related and consequent resolutions;**
4. **Determination of fees set out for the members of the Board of Directors and of the Board of Statutory Auditors: related and consequent resolutions.**

The Chairman proposes to the Meeting, which approves, the appointment as Secretary to Mr Claudio Bazzocchi, attending by conference call, who accepts.

In this regard, the Chairman acknowledges that all the other participants take part in the Shareholders', Meeting by means of conference call, except for himself and the Chairman of Manutencoop Soc. Coop., Mr Claudio Levorato, who are both present in the same place; the procedures are those provided for in Article 106, paragraph 2), of Legislative Decree no. 18 of March 17, 2020, *Measures for strengthening the National Health Service and financial support for families, workers and businesses related to the epidemic COVID-19 emergency*, which, among other things, allow the Chairman and the Secretary to be present in different places.

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Item 1. Financial Statements at December 31, 2019, Report on Operations, Report of the Board of Statutory Auditors and Report of the Independent Auditors: related and consequent resolutions

The Chairman notes that the Draft Financial Statements approved by the Board of Directors' meeting held on March 24, 2020 have been made available to the Shareholders, to the Statutory Auditors and to the Independent Auditors on the same date.

The Chairman briefly illustrates the main voices of the Separate Financial Statements as at December 31, 2019, prepared in accordance with the International Financial Reporting Standards (IFRS), and the Report on Operations - omitted to read it with the unanimous consent of all participants, as these documents, are already available to all participants.

The Chairman continues and then presents the Independent Auditor's Report issued by EY S.p.A. in accordance with article 14 of Legislative Decree n. 39, dated January 27, 2010.

At the end of the report, the Chairman of the Board of Statutory Auditors, Mr Germano Camellini takes the floor and, after having omitted the integral reading always with the unanimous consent of all participants, reads to the Meeting only the final sections of the Statutory Auditor's Report to the Financial Statements at December 31, 2019, issued in accordance with art. 2429 of the Italian Civil Code.

The Chairman of the meeting then shows the proposal for the allocation of the profit for the year made by the Board of Directors and contained in the documents above.

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The Chairman of the Meeting, omitted also in this case the reading with the unanimous consent of all participants, briefly illustrates the Consolidated financial statements at December 31, 2019, also prepared in accordance with the International Financial Reporting Standards (IFRS), and the Report on Operations prepared in a unitary form with Report on Operations of the Separate Financial Statement.

The Chairman then provides the Independent Auditor's Report on the Consolidated Financial Statements at December 31, 2019 issued by the Independent auditors EY S.p.A. in accordance with article 14 of Legislative Decree n. 39, dated January 27, 2010.

***

The Chairman therefore invites all the presents to intervene on the documents submitted.

The Chairman invites the Meeting to approve the draft of the Separate Financial Statements at December 31, 2019, together with the Report on Operations, the Statutory Auditor's Report and the Independent Auditor's Report.

The Meeting, with clear and unanimous vote, took note:

- of the Separate Financial Statements at December 31, 2019, together with the Report on Operations, the Opinion of the Statutory Auditors and the Opinion of the Independent Auditors, as well as the Consolidated Financial Statements accompanied by the Report on Operations and the Opinion of the Independent Auditors;

APPROVES

- the Separate Financial Statements at December 31, 2019, together with the Report on Operations;
- the proposal of the allocation of the profit of the year, equal to Euro 5,741,153.70, to Extraordinary Reserve for the entire amount, given that the limits set out in Article 2430 of the Italian Civil Code have been achieved for Legal Reserve.

***

Item 2. Appointment of the members of the Board of Directors: related and consequent resolutions.

*** Omissis ***

Item 3. Appointment of the members of the Board of Statutory Auditors: related and consequent resolutions.

*** Omissis ***

Item 4. - Determination of fees set out for the members of the Board of Directors and of the Board of Statutory Auditors: related and consequent resolutions.

*** Omissis ***

At 10:20 a.m. the Shareholders' meeting is formally dissolved following the approval of this minutes.

The Secretary

Claudio Bazzocchi

The Chairman

Giuliano Di Bernardo

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