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CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2018

RE**SPECT**

RE**NAISSANCE**

RE**THINK**

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GENERAL INFORMATION

REGISTERED OFFICE

Via U. Poli, 4
Zola Predosa (Bo)

BOARD OF DIRECTORS

Appointed by Shareholders' Meeting
of 13 October 2017

CHAIRMAN
and CEO
Giuliano Di Bernardo

VICE CHAIRMAN
Giuseppe Pinna

MEMBERS OF THE BOARD OF DIRECTORS
Laura Duò
Rossella Fornasari
Paolo Leonardelli
Gabriele Stanzani
Matteo Tamburini

BOARD OF STATUTORY AUDITORS

Appointed by Shareholders' Meeting
of 13 October 2017

CHAIRMAN

Germano Camellini

STANDING AUDITORS
Marco Benni
Monica Mastropaolo

ALTERNATE AUDITORS
Michele Colliva
Antonella Musiani

INDEPENDENT AUDITORS

EY S.p.A.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousands of Euro)	NOTE	31 December 2018	31 December 2017
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipments	4	67,991	65,564
Property, plant and equipments under lease	4	5,984	5,779
Goodwill	5 - 6	407,622	370,363
Other intangible assets	5	25,634	25,169
Investments accounted for under the equity method	7	19,207	27,294
Other investments	8	4,905	4,757
Non-current financial assets	8	5,662	11,369
Other non-current assets	8	2,897	2,998
Deferred tax assets	28	15,017	16,383
TOTAL NON-CURRENT ASSETS		**554,919**	**529,676**
CURRENT ASSETS			
Inventories	9	7,421	6,057
Trade receivables and advances to suppliers	10	417,930	429,165
Current tax receivables	28	14,658	8,745
Other current assets	10	22,320	30,842
Current financial assets	11	5,532	1,870
Cash and cash equivalents	11	94,733	59,870
TOTAL CURRENT ASSETS		**562,594**	**536,549**
Assets held for sale		0	0
TOTAL NON-CURRENT ASSETS HELD FOR SALE		**0**	**0**
TOTAL ASSETS		**1,117,513**	**1,066,225**

(in thousands of Euro)	NOTE	31 December 2018	31 December 2017
SHAREHOLDERS'EQUITY			
Share capital		109,150	109,150
Reserves		5,029	144,854
Retained earnings		34,911	43,755
Profit/(loss) for the year attributable to equity holders of the Parent		15,734	642
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**164,824**	**298,401**
Capital and reserves attributable to non-controlling interests		559	308
Profit/(loss) for the year attributable to non-controlling interests		109	73
EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		**668**	**381**
TOTAL SHAREHOLDERS' EQUITY	**12**	**165,492**	**298,782**
NON-CURRENT LIABILITIES			
Employee termination indemnity	13	14,730	15,519
Provisions for risks and charges, non-current	14	25,189	27,624
Long-term financial debt	16	361,687	175,281
Deferred tax liabilities	28	14,525	12,294
Other non-current liabilities		660	86
TOTAL NON-CURRENT LIABILITIES		**416,791**	**230,804**
CURRENT LIABILITIES			
Provisions for risks and charges, current	14	6,948	6,711
Trade payables and contract liabilities	17	399,602	393,022
Current tax payables	28	954	326
Other current liabilities	17	90,360	93,415
Bank borrowings, including current portion of long-term debt, and other financial liabilities	16	37,366	43,165
TOTAL CURRENT LIABILITIES		**535,230**	**536,639**
Liabilities directly associated with non-current assets held for sale		0	0
TOTAL LIABILITIES DIRECTLY ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE		**0**	**0**
TOTAL LIABILITIES		**1,117,513**	**1,066,225**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(in thousands of Euro)	NOTE	For the year ended	
		31 December 2018	31 December 2017
REVENUE			
Revenue from contracts with customers	18	943,740	916,127
Other revenue	19	6,142	1,964
TOTAL REVENUE		**949,882**	**918,091**
OPERATING COSTS			
Costs of raw materials and consumables	20	(140,144)	(119,742)
Change in inventories of finished and semi-finished products		43	0
Costs for services and use of third-party assets	21	(325,258)	(328,258)
Personnel costs	22	(392,548)	(382,138)
Other operating costs	23	(6,660)	(281)
Lower costs for internal work capitalised		4,140	935
Amortization, depreciation, write-downs and write- backs of assets	24	(31,122)	(30,280)
Accrual (reversal) to provisions for risks and charges	14	(2,584)	(143)
TOTAL OPERATING COSTS		**(894,133)**	**(859,907)**
OPERATING INCOME		**55,749**	**58,184**
FINANCIAL INCOME AND EXPENSES			
Share of net profit of associates	7	1,466	(1,945)
Dividend and net income/(loss) from sale of investments	25	(843)	175
Financial income	26	1,597	3,762
Financial expenses	27	(33,544)	(43,125)
Gains / (losses) on exchange rate		(156)	(326)
Profit/(loss) before taxes from continuing operations		**24,269**	**16,725**
Income taxes	28	(8,426)	(16,010)
Profit/(loss) from continuing operations		**15,843**	**715**
Profit/(loss) after taxes from discontinued operations		0	0
Net profit (loss) for the year		**15,843**	**715**
Net profit (loss) attributable to non- controlling interests	12	(109)	(73)
NET PROFIT (LOSS) FOR THE YEAR		**15,734**	**642**

	For the year ended	
	31 December 2018	31 December 2017
Basic earnings/(losses) per share	0.144	0.006
Diluted earnings/(losses) per share	0.144	0.006
Basic earnings/(losses) per share from continuing operations	0.144	0.006
Diluted earnings/(losses) per share from continuing operations	0.144	0.006

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

(in thousands of Euro)	NOTE	For the year ended	
		31 December 2018	31 December 2017
NET PROFIT/LOSS FOR THE YEAR		**15,843**	**715**
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		(557)	(75)
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	7	301	(220)
Other components of the comprehensive income for the year, which will be subsequently reclassified under profit/(loss) for the year		**(256)**	**(295)**
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		251	7
Income taxes		(3)	(9)
Net effect of actuarial gains /(losses)	13	**247**	**(2)**
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	7	14	9
Other components of the comprehensive income for the year, which will not be subsequently reclassified under profit/(loss) for the year		**261**	**8**
TOTAL PROFIT/(LOSS) IN THE STATEMENT OF COMPREHENSIVE INCOME, NET OF TAXES		**5**	**(287)**
TOTAL COMPREHENSIVE INCOME/(LOSS), NET OF TAXES		**15,848**	**428**
Equity holders of the Parent		15,987	355
Non-controlling interests		(139)	73

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of Euro)	NOTE	For the year ended	
		31 December 2018	31 December 2017
NET PROFIT (LOSS) FROM CONTINUING OPERATIONS FOR THE YEAR		**15,843**	**715**
Income taxes for the year		8,426	16,010
PROFIT/(LOSS) BEFORE TAXES FROM CONTINUING OPERATIONS		**24,269**	**16,725**
Amortization, depreciation, write-downs and (write-backs) of assets		31,121	30,280
Accrual (reversal) of provisions for risks and charges		2,584	143
Employee termination indemnity provision		1,073	935
Payments of employee termination indemnity		(1,875)	(2,453)
Utilization of provisions for risks and charges		(5,305)	(6,252)
Share of net profit of associates, net of dividends collected		2,841	3,610
Financial charges (income) for the year		32,103	39,689
OPERATING CASH FLOWS BEFORE MOVEMENTS IN WORKING CAPITAL		**86,812**	**82,677**
Decrease (increase) of inventories		(281)	(1,675)
Decrease (increase) of trade receivables		11,289	24,131
Decrease (increase) of other current assets		8,413	(5,902)
Increase (decrease) of trade payables		3,957	38,582
Increase (decrease) of other current liabilities		(5,984)	(7,212)
Change in Working Capital		**17,395**	**47,924**
Net interest received (paid) in the year		(25,823)	(43,495)
Income tax paid in the year		(11,808)	(17,231)
NET CASH FLOW FROM OPERATING ACTIVITIES		**66,575**	**69,876**
Purchase of intangible assets, net of sales	5	(7,947)	(6,501)
Purchase of property, plant and equipment	4	(24,040)	(25,048)
Proceeds from sales of property, plant and equipment	4	457	498
Acquisition of investments		11,041	(1,487)
Decrease (increase) of financial assets		460	(27)
Business combinations	3	(1,529)	0
Discontinuing activities	29	220	1,060
NET CASH FLOW USED IN INVESTING ACTIVITIES		**(21,339)**	**(31,504)**

(in thousands of Euro)	NOTE	For the year ended	
		31 December 2018	31 December 2017
Change in finance lease debt	16	(445)	2,708
Proceeds from non-current borrowings	16	6,676	195,300
Repayment of non-current borrowings	16	0	(324,310)
Proceeds from/(repayment of) short term bank debt	16	(86)	(5,857)
Proceeds from non-current borrowings	16	(14,391)	(3,683)
Dividends paid		(70)	(25,111)
(Acquisition)/sale of minority interests in subsidiaries		(1,500)	93
Translation differences		(126)	0
NET CASH FLOW FROM / (USED IN) FINANCING ACTIVITIES		**(9,942)**	**(153,494)**
Changes in cash and cash equivalents		**35,295**	**(115,122)**
Cash and cash equivalents at the beginning of the year		59,870	174,992
Changes in cash and cash equivalents		35,295	(115,122)
Translation differences on cash and cash equivalents		(432)	0
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**94,733**	**59,870**
Details of cash and cash equivalents:			
Cash and bank current accounts		94,733	59,870
TOTAL CASH AND CASH EQUIVALENTS		**94,733**	**59,870**

SUPPLEMENTARY INFORMATION

(in thousands of Euro)	For the year ended	
	31 December 2018	31 December 2017
Interest paid	(27,357)	(47,254)
Interest received	1,534	3,759
Dividends paid	(70)	(25,111)
Dividends received	903	1,840

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	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**

	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 2017	**109,150**	**187,856**	**(7,518)**	**33,649**	**323,137**	**235**	**323,372**
Allocation of previous year result		(42,715)	51,273	(8,558)	**0**	0	**0**
Dividend distribution				(25,091)	**(25,091)**	(20)	**(25,111)**
Acquisition/sale of minority interests in subsidiaries					**0**	93	**93**
Total comprehensive income for the year		(287)		642	**355**	73	**428**
31 December 2018	**109,150**	**144,854**	**43,755**	**642**	**298,401**	**381**	**298,782**

1. GENERAL INFORMATION

The publication of the Consolidated Financial Statements of the Rekeep Group for the year ended 31 December 2018 was authorized by resolution of the Board of Directors of 22 March 2019.

At 31 December 2018 the Group was owned by the sole shareholder Manutencoop Società Cooperativa, following the merger of CMF S.p.A. by incorporation into Rekeep S.p.A. with effect from 1 July 2018. On 25 May 2017 CMF S.p.A. was established for the launch of a bond issue (Senior Secured Notes) with the purpose of repurchasing the Notes already issued by subsidiary Manutencoop Facility Management S.p.A. (now Rekeep S.p.A.) during 2013 and repaying the other financial payables of the entire Group controlled by Manutencoop Società Cooperativa. The transaction, which was accompanied by a corporate reorganisation of the group, provided Manutencoop Società Cooperativa with the financial resources required to allow the exit of the Investors holding non-controlling interests in the subsidiary in consideration of the Investment Agreements that were signed in previous years, through the acquisition by CMF S.p.A. of all its shares. The rules of the bond issue also provided for the merger of CMF S.p.A. into its subsidiary within 12 months from the completion of the transaction and the related deed of merger was registered with the Bologna Register of Companies on 29 June 2018 in the execution of the resolutions adopted by the Extraordinary Shareholders' Meetings of the two companies on 12 April 2018. The statutory, accounting and tax effects will be applicable from 1 July 2018. Subsequently Manutencoop Facility Management changed its name to Rekeep S.p.A. on 2 July 2018.

The merger can be described as a "merger following acquisition with debt" pursuant to Article 2501-*bis* of the Italian Civil Code. Given that the merged company CMF S.p.A. was the direct owner of all the shares representing the entire share capital of Rekeep S.p.A., no share swap took place and the merger was carried out by cancelling all the shares of the merged company CMF S.p.A. and assigning all the shares of the merging company to the sole shareholder of the latter, Manutencoop Società Cooperativa, without any capital increase or amendments to the Articles of Association of Rekeep S.p.A..

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.

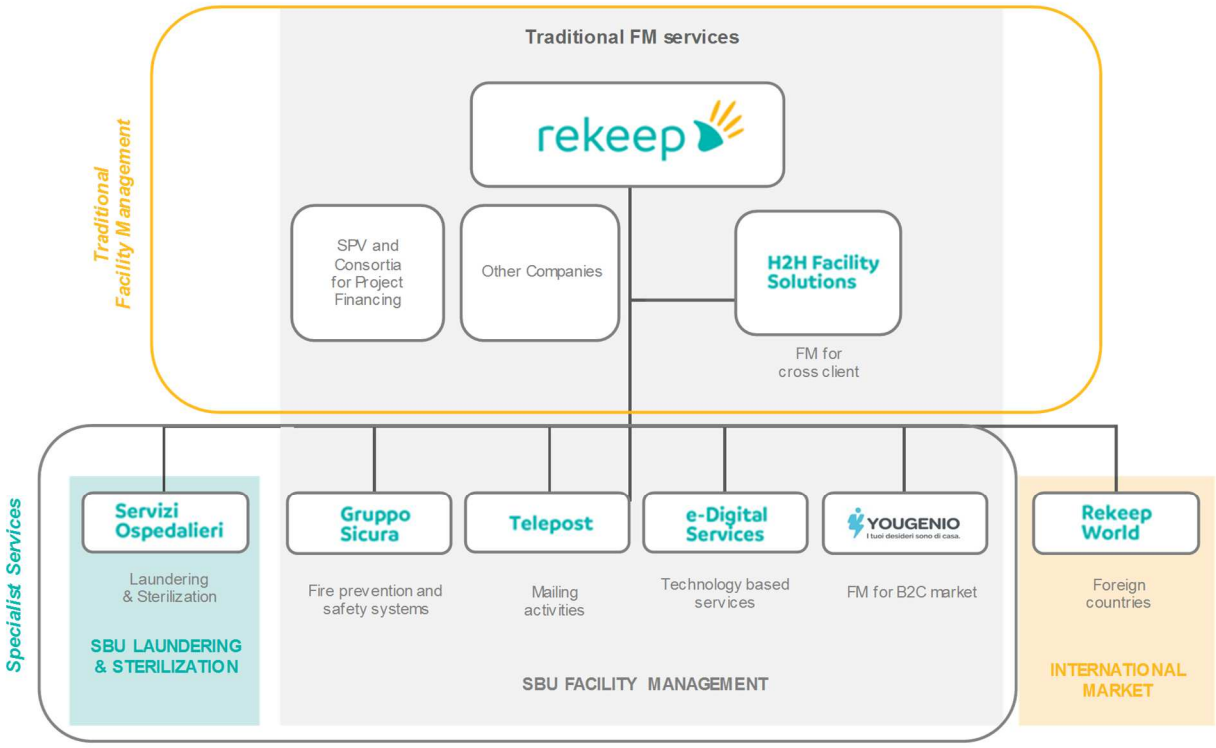
In particular, the Rekeep Group provides a wide and coordinated range of integrated services throughout Italy, aimed at rationalising and improving the quality of the non-strategic and auxiliary activities of major private groups, public authorities and health care facilities.

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: (i) operations, also through a series of acquisitions, with some “specialist” facility management services beside the historical core business (hygiene

services, green spaces and technical and maintenance services): these services involve fire prevention and safety products and systems, in addition to linen rental and industrial laundering services and surgical instrument sterilization at healthcare facilities and high technology B2B services, (ii) markets, through the sub-holding Rekeep World S.r.l., which was established to start the commercial development in international markets at the end of 2015.

During 2016 diversification was further boosted in May by establishing Yougenio S.r.l., an innovative start-up 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.

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.

Finally, 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.

Furthermore, the Group, through a series of acquisitions expanded its range of services providing certain specialist Facility Management services alongside its ''traditional'' Facility management services, such as:

- services related to building security;
- mail services;
- document management.

Finally, with the incorporation of e-Digital Services S.r.l. at the end of 2015 and of Yougenio S.r.l. during 2016, the Group embarked on a path to growth in the markets of "business to business" (B2B) and "business to consumer" (B2C) services. The B2B business sector in particular is based on the utilisation of expertise which has been built up in the spheres of applications, management and sourcing. On the other hand the objective of the B2C business sector is to enter the Consumer market for household and personal services, taking advantage of the creation of a digital platform easily accessible to a broad range of potential customers.

Laundering & Sterilization is an industrial activity given in support of health care activities. The activity, provided by the Rekeep Group, in particular through Servizi Ospedalieri S.p.A. and its subsidiaries, mainly involves (i) the rental and industrial laundering of bed linens, packaged linen and mattress provider (linen rental and industrial laundering), (ii) Sterilization of linen and (iii) Sterilization of surgical equipment.

Laundering & Sterilization services provided by the Group also include the following activities:

- 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.

2. ACCOUNTING STANDARDS AND BASIS OF PRESENTATION

The consolidated Financial Statements at 31 December 2018 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 2017. The consolidated Financial Statements at 31 December 2018 were prepared on a historical cost 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 2018 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 2018 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 Group 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 2018, 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 2018

Starting from the financial years ending after 1 January 2018, the following accounting standards came into force:

IFRS15 – Revenue from contracts with customers. The new standard replaces the previous IAS11 – Construction contracts, IAS18 – Revenue, IFRIC13 – Customer Loyalty Programme, IFRIC15 – Agreements for the construction of real estate, IFRIC18 – Transfers of Assets from Customers, SIC31 – Barter Transactions Involving Advertising Services. This standard provides a model for the recognition and measurement of all revenues from non-financial assets, including the disposals of property, plant and equipment or intangible assets. The general principle is that the entity must recognise revenue in the amount corresponding to the consideration to which it expects to be entitled for transferring goods or providing a service to a customer. Guidelines are laid down for identifying the contract, the performance obligations and the transaction price. If there are multiple services, suggestions are also given regarding the allocation of their prices. Finally, the criteria for accounting for the revenue when the performance obligation has been satisfied are explained and suggestions are made for accounting for the incremental costs of obtaining the contract if these costs are directly attributable to its performance. Finally, the standard provides guidance on its application to specific issues such as licences, guarantees, right of withdrawal, agency relationships, termination of contracts. The standard is applicable for financial years commencing on or after 1 January 2018, with full or modified retrospective adoption. Even if early adoption is permitted, the Group applied the new standard from 2018 using for the transition the method of modified retrospective application to all contracts upon first-time adoption, without therefore modifying comparative data. During the 2016 and 2017 financial years, the Group carried out an assessment of the impact of IFRS 15 by simulating the application of the standard to contracts belonging to the main revenue streams identified at Group level. From this analysis it emerged that the accounting method adopted for its revenue streams is consistent with the principles contained in the new standard. While also considering the nature of the business, the impacts were not significant. The Group has also assessed the compliance of other items of the main financial statement schedules with the provisions of IFRS 15 and has not reported any change in the presentation of data.

IFRS9 – Financial Instruments. The aim of the new standard is to make it simpler for the user of the financial statements to understand the amounts, timing and uncertainty of cash flows by replacing the different types of financial instruments referred to in IAS 39. In fact all financial assets are initially accounted for at fair value, adjusted by transaction costs if they are not accounted for at fair value through profit or loss (FVTPL). Nevertheless, trade receivables that do not have a significant

financial component are initially measured at their transaction price, as defined by the new IFRS 15 – Revenues from Contracts with Customers. Debt instruments are measured on the basis of the contract cash flows and the business model on the basis of which they are held. Instruments only involving cash flows for the payment of interest and principal are accounted for according to the amortised cost method, while those also involving the exchange of financial assets are measured at fair value in the OCIs and subsequently reclassified in profit or loss (FVOCI). Finally, there is an express option for accounting at fair value (FVO). Similarly, all equity instruments are initially measured at FVTPL but the entity has an irrevocable option to account for it at FVTOCI. Any additional classifications and the measurement rules laid down under IAS39 have been reported under the new IFRS9. As regards impairment, the IAS39 model based on the losses incurred has been replaced by the ECL (Expected Credit Loss) model. Finally, some changes are made in Hedge Accounting, with the possibility of conducting a prospective effectiveness and quality test, measuring risk factors independently if they can be identified. Except for hedge accounting, retrospective application of the standard is required, but it is not mandatory to provide comparative information. With regard to hedge accounting, the standard is generally applied prospectively, with some limited exceptions. The Group adopted the new standard as from the 2018 financial year and has not restated any comparative information. During 2017 the Group completed the analysis of the main developments introduced by IFRS 9, assessing any possible impact arising from the application of all the three issues dealt with by IFRS 9. The Group did not report any significant impact on the Statement of financial position and on the Statement of changes in equity and the amounts set aside for impairment losses were not significantly different from those obtained from the procedures previously applied. In addition, there were no changes in the classification of the Group's financial instruments.

a) Classification and measurement

The application of the classification and measurement requirements envisaged by IFRS 9 did not have any significant impact on the Group's financial statements and shareholders' equity. The financial instruments held by the Group that can generate a difference in the application of the new standard are financial receivables and liabilities. The Group continues to measure at fair value all financial assets previously recognised at fair value. The loans, as well as the trade receivables, are held for the purpose of collection at the contractual expiries and generate cash flows represented solely by the collection of principal and interest. Given the characteristics of the contractual cash flows of these instruments, the Group has concluded that they meet the criteria for measurement at amortised cost in accordance with IFRS 9.

b) Impairment losses

IFRS 9 requires the Group to record expected credit losses on all its bonds, loans and trade receivables, on an annual basis or based on their residual maturity. The Group applies the simplified approach and records the expected losses on all trade receivables on the basis of their residual maturity, defining a matrix for the allocation based on the historical experience of the individual Group companies in relation to credit losses, as adjusted to take account of specific forecast factors relating to creditors and the economic world. The Group already carried out a specific risk analysis by credit category based on the residual maturity and the recovery procedures used. The Group, therefore, already incorporated the considerations on the current macroeconomic situation and the forecasts on future recoverability conditions into the calculation of the allowance for doubtful accounts, based on the judgement of Management. From this analysis it emerged that 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 into

account elements of forward looking, is entirely similar to the percentages of write-downs already adopted, since the measurement in the past was not limited to "incurred" losses only, but incorporated elements of valuation on expected losses for each individual credit. Therefore, the provisions of IFRS 9 have no impact on the Group's shareholders' equity

c) Hedge accounting

The Group does not apply IFRS 9 with regard to hedge accounting, continuing to apply the provisions of IAS 39 on the subject.

IFRIC 22 – Foreign Currency Transactions and Advance Consideration (applicable from the financial years that will end after 1 January 2018). The interpretation clarifies the type of exchange rate to be used in transactions that include the receipt or payment of advance consideration in a foreign currency. No significant impacts from the application of the interpretation to the Group's consolidated Financial Statements have been noted.

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

The Group is studying these standards and is also assessing the effects of the following standards, for which the Group has not opted for early adoption:

- IFRS16 – Leases (applicable from the financial years that will end after 1 January 2019). The scope of application of the new standard includes all lease agreements, subject to some exceptions. 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 recognised 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 amortisation/depreciation separately. The liability may be recalculated (for example, due to amendments to contract terms and conditions or due to a change in indexes to which the payment of rentals for use is linked) and this change must be accounted for on the underlying asset. In fact, as regards the lessor, the accounting method is substantially unchanged with respect to the provisions laid down under the current IAS17. The standard must be applied on a modified retrospective basis, while early adoption is permitted at the same time as IFRS15. During 2018 the Group carried out an in-depth analysis that made it possible to identify the potential impact that the application of the new standard will have on the financial position, results of operations and cash flows and on the disclosure provided in the Consolidated Financial Statements as from 2019 and the appropriate management approach. The method used by the Group companies for the transition will be the "Modified retrospective approach".
- *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 recognised at the date of initial application as an adjustment to equity and without any restatement of comparative information. The date of initial application is the beginning of the annual reporting period in which an entity applies this interpretation for the first time. No significant impact is expected from the application of the new standard on the Consolidated Financial Statements.

- *IFRS17 – Insurance Contracts*. The standard replaces the previously applicable IFRS 4 and requires all insurance contracts to be accounted for in a consistent manner, as well as insurance obligations to be accounted for by using current values instead of historical costs. No significant impact is expected from the application of the new standard on the Consolidated Financial Statements.
- *Amendments to IFRS9 - Prepayment Features with Negative Compensation*. It enables the entities to measure certain particular prepayable financial assets with so-called negative compensation at amortised cost or at fair value through "other comprehensive income", if a specific condition is satisfied, instead of measuring them at fair value through profit or loss.
- *Amendments to IAS28 - Long-term interests in associates and joint ventures* (applicable from the financial years that will end after 1 January 2019). It clarifies how entities must use IFRS 9 to recognise long-term interests in associates or joint ventures, for which the equity method is not applied.

Finally, in February 2018 the IASB issued the "Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)" document, which 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 amendments require entities to use the updated assumptions based on such remeasurement to determine current service cost and net interest for the remainder of the period after a plan amendment. The amendments will be applicable after 1 January 2019. No significant impact is expected from the application of the new standard on the Consolidated Financial Statements.

Finally, 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 the new standard on the Consolidated Financial Statements.

Improvements to IFRS

The Annual improvement to international standards is the instrument by which the IASB introduces amendments or improvements to the standards that are already being applied, thus promoting the ongoing review of the accounting policies of the IAS adopters.

The series of improvements, which was issued in December 2016, concerned the elimination of the short-term exemptions required for the First Time Adoption under IFRS1, the classification and measurement of investments at fair value through profit or loss according to *IAS 28 – Investments in Associates and Joint Ventures*, as well as clarifications on the scope of disclosures required by *IFRS12 – Disclosures of Interests in Other Entities*. The amendments will be obligatory applicable as from the financial years that will end after 1 January 2017 and 1 January 2018 and did not have any impact on the Group's Consolidated Financial Statements.

In December 2017, 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 recognised 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. The amendments will be applicable from 1 January 2019.

No significant impact is expected from the application of the new standard on the Consolidated Financial Statements.

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, starting from 2007, 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 2018 the carrying amount of Goodwill was equal to € 407,622 thousand (€ 370,363 thousand compared to 31 December 2017). See note 6 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 recognised in an adjusting provision against failure to collect debts from clients. The value of the provisions recognised 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 relating to contract activities 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 recognised 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 recognised 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 recognised 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 recognised 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 13 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 2018. 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 and in the Consolidated Statement of Financial Position under Equity items, separately from the Group's Equity.

Conversion of financial statements of foreign companies

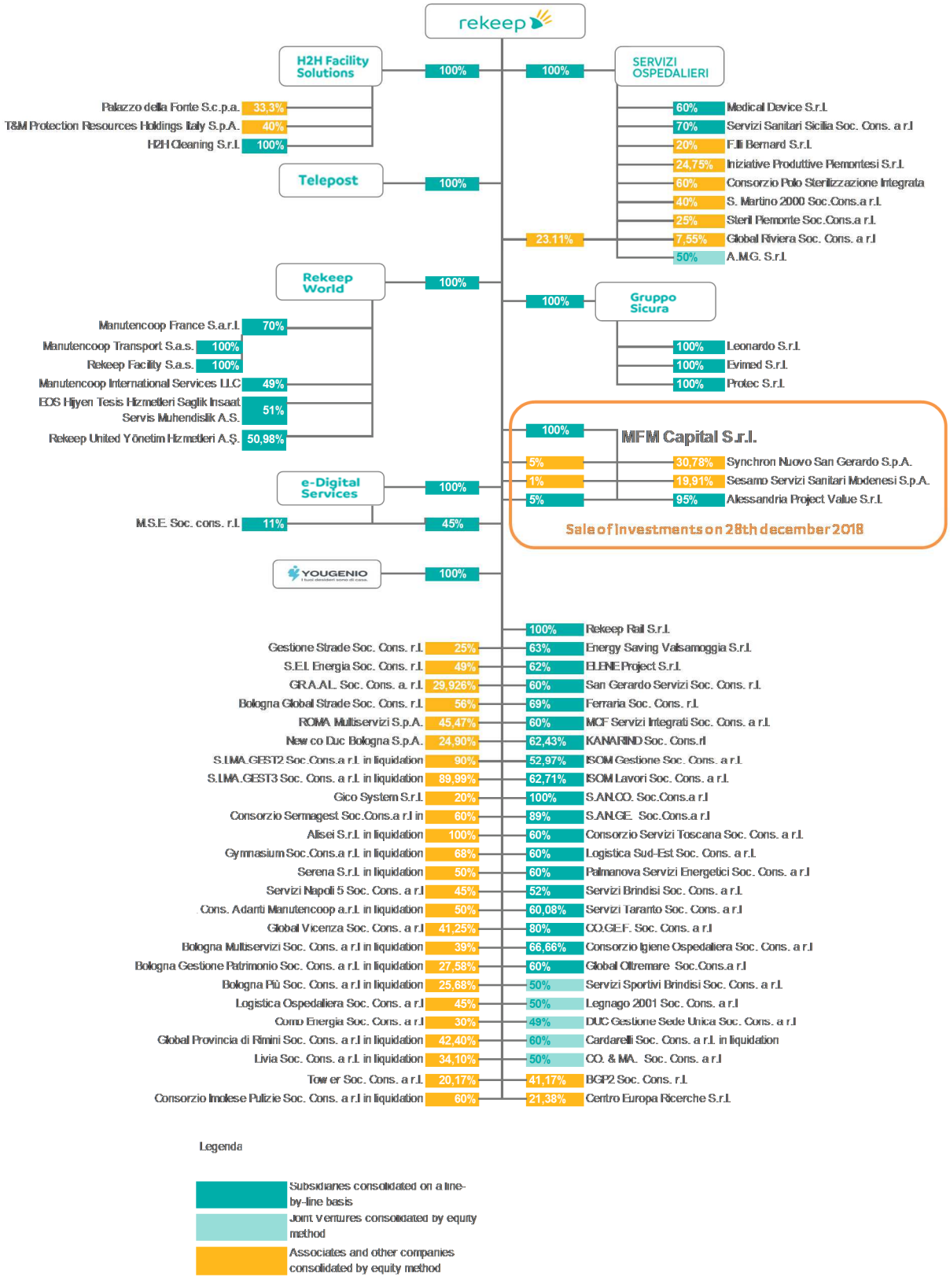
The financial statements are presented in Euro, the Group's functional currency. Statements of financial position and income statements stated in foreign currency are converted to Euro using the exact year-end exchange rates for the items of the Statement of Financial Position and average exchange rates 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:

		Exact exchange rate at 31 December 2018	Average exchange rate for the year ended 31 December 2018
TRY	Lira - Turkey	6,0588	6,0588
QAR	Riyal - Qatar	4,1678	4,2798

The consolidation area at 31 December 2018 is shown below.


rekeep
H2H Facility Solutions
100%
Palazzo della Fonte S.c.p.a. 33,3%
T&M Protection Resources Holdings Italy S.p.A. 40%
H2H Cleaning S.r.l. 100%
Telepost
100%
Rekeep World
100%
Manutencoop France S.a.r.l. 70%
Manutencoop Transport S.a.s. 100%
Rekeep Facility S.a.s. 100%
Manutencoop International Services LLC 49%
EOS Hijyen Tesis Hizmetleri Saglik Insaat Servis Muhendislik A.S. 51%
Rekeep United Yönetim Hizmetleri A.Ş. 50,98%
e-Digital Services
100%
M.S.E. Soc. cons. r.l. 11%
45%
YOUGENIO
100%
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.
24,75% 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.
23,11%
7,55% Global Riviera Soc. Cons. a r.l.
50% A.M.G. S.r.l.
100%
Gruppo Sicura
100% Leonardo S.r.l.
100% Evimed S.r.l.
100% Protec S.r.l.
100%
MFM Capital S.r.l.
5%
30,78% Synchron Nuovo San Gerardo S.p.A.
1%
19,91% Sesamo Servizi Sanitari Modenesi S.p.A.
5%
95% Alessandria Project Value S.r.l.
Sale of investments on 28th december 2018
100% Rekeep Rail S.r.l.
Gestione Strade Soc. Cons. r.l. 25%
63% Energy Saving Valsamoggia S.r.l.
S.E.I. Energia Soc. Cons. r.l. 49%
62% ELENE Project S.r.l.
GR.A.AL. Soc. Cons. a. r.l. 29,926%
60% San Gerardo Servizi Soc. Cons. r.l.
Bologna Global Strade Soc. Cons. r.l. 56%
69% Ferraria Soc. Cons. r.l.
ROMA Multiservizi S.p.A. 45,47%
60% MCF Servizi Integrati Soc. Cons. a r.l.
New co Duc Bologna S.p.A. 24,90%
62,43% KANARIND Soc. Cons.rl
S.LIMA.GEST2 Soc.Cons.a r.l. in liquidation 90%
52,97% ISOM Gestione Soc. Cons. a r.l.
S.LIMA.GEST3 Soc. Cons. a r.l. in liquidation 89,99%
62,71% ISOM Lavori Soc. Cons. a r.l.
Gico System S.r.l. 20%
100% S.AN.CO. Soc.Cons.a r.l.
Consorzio Sermagest Soc.Cons.a r.l. in 60%
89% S.AN.GE. Soc.Cons.a r.l.
Alisei S.r.l. in liquidation 100%
60% Consorzio Servizi Toscana Soc. Cons. a r.l.
Gymnasium Soc.Cons.a r.l. in liquidation 68%
60% Logistica Sud-Est Soc. Cons. a r.l.
Serena S.r.l. in liquidation 50%
60% Palmanova Servizi Energetici Soc. Cons. a r.l.
Servizi Napoli 5 Soc. Cons. a r.l. 45%
52% Servizi Brindisi Soc. Cons. a r.l.
Cons. Adanti Manutencoop a.r.l. in liquidation 50%
60,08% Servizi Taranto Soc. Cons. a r.l.
Global Vicenza Soc. Cons. a r.l. 41,25%
80% CO.GE.F. Soc. Cons. a r.l.
Bologna Multiservizi Soc. Cons. a r.l. in liquidation 39%
66,66% Consorzio Igiene Ospedaliera Soc. Cons. a r.l.
Bologna Gestione Patrimonio Soc. Cons. a r.l. in liquidation 27,58%
60% Global Oltremare Soc.Cons.a r.l.
Bologna Più Soc. Cons. a r.l. in liquidation 25,68%
50% Servizi Sportivi Brindisi Soc. Cons. a r.l.
Logistica Ospedaliera Soc. Cons. a r.l. 45%
50% Legnago 2001 Soc. Cons. a r.l.
Como Energia Soc. Cons. a r.l. 30%
49% DUC Gestione Sede Unica Soc. Cons. a r.l.
Global Provincia di Rimini Soc. Cons. a r.l. in liquidation 42,40%
60% Cardarelli Soc. Cons. a r.l. in liquidation
Livia Soc. Cons. a r.l. in liquidation 34,10%
50% CO. & MA. Soc. Cons. a r.l.
Tow er Soc. Cons. a r.l. 20,17%
41,17% BGP2 Soc. Cons. r.l.
Consorzio Imolese Pulizie Soc. Cons. a r.l. in liquidation 60%
21,38% Centro Europa Ricerche S.r.l.
Legenda
Subsidiaries consolidated on a line-by-line basis
Joint ventures consolidated by equity method
Associates and other companies consolidated by equity method

During the 2018 financial year note the following events:

- On 15 January 2018, the disposal to third parties of a stake equal to 30% of the share capital of Manutencoop France S.a.r.l., following which the Group's percentage of ownership of the company amounted to 70%;
- the acquisition by Rekeep World S.r.l. (formerly Manutencoop International S.r.l.) acquired a stake representing 1% of the share capital of EOS Hijyen Tesis Hizmetleri Saglik Insaat Servis Muhendislik A.S. ("EOS"), based in Ankara (Turkey). Following the acquisition, the Group acquired control over the Turkish company (whose share capital was already held by Servizi Ospedalieri S.p.A. at a percentage of 50%), with the consequent consolidation of the entity on a line-by-line basis;
- on 2 May 2018, Rekeep World S.r.l. acquired a stake of 50.98% of the share capital of Rekeep United Yönetim Hizmetleri A.Ş. based in Istanbul (Turkey), following a capital increase approved by the latter;
- on 28 May 2018 Rekeep Facility S.a.S. was established, which is wholly owned by Manutencoop France S.a.r.l.;
- on 3 July 2018 Servizi Ospedalieri S.p.A. acquired a stake of 60% of the share capital of Medical Device S.r.l., based in Montevarchi (Arezzo);
- on 1 August 2018 Rekeep Rail S.r.l. was established, which is wholly owned by Rekeep S.p.A.;
- on 20 September 2018 Sicura S.p.A. acquired the residual minority interest of the subsidiary Evimed S.r.l. equal to 10%;
- on 20 July 2018 the disposal of 31.98% of the share capital of Progetto ISOM S.p.A. to Sinloc – Sistema Iniziative Locali S.p.A.;
- the transfer of 100% of the quota capital of Alessandria Project Value S.r.l. to MFM Capital, as well as of a portion of the shares held in Synchron Nuovo San Gerardo S.p.A. and Sesamo Servizi Sanitari Modenesi S.p.A. and other non-strategic minority interests. Furthermore, on 28 December 2018, a stake of 95% in the quota capital of MFM Capital was transferred to the 3i European Operational Projects SCSp. fund, with the consequent deconsolidation of the balance sheet balances from the date of transfer.

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 capitalisation (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 capitalisation 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 capitalisation 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.

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 amortisation 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 fairness tests whenever there is evidence of potential impairment losses. The amortisation 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 amortisation period or method, as necessary, and treated as changes in the accounting estimates. The amortisation charges of intangible assets with a finite useful life are recorded in the income statement under the cost category 'amortisation, 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 summarised below:

	Concessions, licenses, trademarks and similar rights	**Other intangible assets**
Breakdown of composition	Software and Trademarks	Contractual customer relations

	Concessions, licenses, trademarks and similar rights	Other intangible assets
Useful Life	Finite	Finite
Method used	Amortisation on a straight line basis over the shortest time span between: > legal term of the right > expected period of use.	Amortisation 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 recognised 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 amortisation. 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 recognises adjustments directly in shareholders' equity, the Group recognises 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 'amortisation, 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 amortisation, if no impairment loss had been recognised 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 recognised in a revalued amount, in which case the write-back is treated as a revaluation. After a write-back has been recognised, the amortisation 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 amortised 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 amortised 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 amortised cost

Financial assets accounted for at amortised cost are measured using the effective discount rate method. Profits or losses are recognised through profit or loss when financial assets are derecognised from the accounts or when impairment losses occur, as well as through the amortisation 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 recognised 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 recognised 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 recognised 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 amortised cost criterion using the effective interest rate method. All profits or losses are recognised in the income statement when the liability is extinguished, as well as through the amortisation 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 derecognised 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 derecognised 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 derecognised 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 amortised cost criterion

If there is an objective evidence that a loan or receivable carried at amortised 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 amortised cost at the write-back date.

Assets recognised at cost

If there is objective evidence of an impairment of an unlisted equity instrument which is not recognised 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 amortisation) and its present fair value. Write-backs of instruments classified in this category are also recognised 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 recognised 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 recognised. 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.

Leasing

The definition of a contractual agreement as a leasing transaction (or containing a leasing transaction) is based on the substance of the agreement and requires an assessment of whether fulfilment of the contractual obligations depends on the use of one or more specific assets and whether the agreement transfers the right to use said asset.

A review is carried out after the start of the contract only if one of the following conditions is met:

(a) there is a change in the contractual conditions, other than a contract renewal or extension;

(b) a renewal option is exercised or an extension granted, provided that the terms of the renewal or extension were not initially included in the terms of the leasing transaction;

(c) there is a change in conditions according to which fulfilment of the contract depends on a specific asset; or

(d) there is a substantial change in the asset.

Where a review is carried out, accounting of the leasing will start or end from the date on which the circumstances change which gave rise to the revision for cases a), c) or d) and on the renewal or extension date for scenario b).

For contracts signed prior to 1 January 2005, the start date is considered 1 January 2005, in line with the transitional provisions of IFRIC 4.

Finance lease contracts, which substantially transfer all risks and rewards of ownership of the leased asset to the Group, 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 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 Group will obtain ownership of the asset at the end of the contract.

Operating lease fees are recognized as costs in the income statement on a straight line basis over the contract term.

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 recognised 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 recognised 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 recognised to the extent it is believed that the costs incurred can be recovered.

Sales of assets

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

Interests

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 recognised 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 amortisation 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 recognised 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. Unrecognised 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 recognised 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 recognised 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 recognises 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 recognised as costs in the year in which they are incurred, unless the concession holder has recognised 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 recognised 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 the costs allocated to the 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 the assets and liabilities allocated to the 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 recognised 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 recognised 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. BUSINESS COMBINATIONS

3.1 Merger of CMF S.p.A. by incorporation into the Parent Company Rekeep S.p.A.

On 4 April 2018, the Board of Directors of Manutencoop Facility Management S.p.A and the Sole Director of CMF S.p.A. approved the plan for the merger of parent company CMF S.p.A. by incorporation into its subsidiary("Reverse Merger"). The Merger was approved by the respective extraordinary Shareholders' Meeting on 12 April 2018 and deposited with the Register of Companies on 13 April 2018.Finally, in the execution of the resolutions passed by these Shareholders' Meetings, the Deed of Merger was entered into on 14 June 2018 and then registered with the Bologna Register of Companies on 29 June 2018.

The Merger was completed pursuant to Article 2501-*bis* of the Italian Civil Code (merger following acquisition with debt) since CMF S.p.A. has raised a debt to acquire the total control over subsidiary and the latter's equity being acquired constitutes a general guarantee and the source of repayment of this debt. The Merger is expressly envisaged in the rules of the bond issue named "CMF S.p.A. €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 € 360,000,000, issued by CMF S.p.A. on 6 July 2017, whose bonds (ISIN Codes

XS1642816554 XS1642818337) were listed on the Euro MTF multilateral trading system managed by the Luxembourg Stock Exchange and on the ExtraMOT multilateral system, PRO segment, organised and managed by Borsa Italiana S.p.A..

The merger plan provides for statutory, accounting and tax effects running from 1 July 2018. Furthermore the change in the company name from Manutencoop Facility Management S.p.A. to Rekeep S.p.A became effective on 2 July 2018.

The operation is carried out between parties subject to common control ("Operation Under Common Control"), as both companies are directly and indirectly controlled by Manutencoop Società Cooperativa. It is therefore excluded from the scope of application of IFRS 3. The application of the principle of continuity of values, provided for in "Assirevi Preliminary Guidelines on IFRS" (OPI 2), is due to the absence of an exchange with third-party economies and of an acquisition in financial terms. As a result of the accounting treatment adopted, no higher current values emerged than those already reported in the financial statements of the merged company, while a merger deficit was recognised in assets equal to that recorded in the consolidated financial statements in which the companies involved in the merger participate, i.e. that of Manutencoop Società Cooperativa (equal to € 33,183 thousand). The difference in cancellation that exceeds the values of these consolidated financial statements was recorded as a direct reduction in the shareholders' equity of the merging company Rekeep S.p.A. for € 65,085 thousand.

Below is a summary table of the effects deriving from the merger on the Consolidated Financial Statements of the Group controlled by Rekeep S.p.A. at the effective date of the transaction:

	Rekeep S.p.A.	CMF S.p.A.	Effects of the merger	Consolidated Financial Statements post merger of Rekeep S.p.A. at 1 July 2018
	Consolidated Financial Statements	Separate Financial Statements		
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipments	68,893			68,893
Property, plant and equipments under lease	5,775			5,775
Goodwill	372,392		33,183	405,575
Other intangible assets	24,149			24,149
Investments accounted for under the equity method	27,962	420,472	(420,472)	27,962
Other investments	5,262			5,262
Non-current financial assets	10,799	166,899	(166,899)	10,799
Other non-current assets	3,089			3,089
Deferred tax assets	16,718	336		17,054
TOTAL NON-CURRENT ASSETS	**535,039**	**587,707**	**(554,188)**	**568,558**
CURRENT ASSETS				

	Rekeep S.p.A.	CMF S.p.A.	Effects of the merger	Consolidated Financial Statements post merger of Rekeep S.p.A. at 1 July 2018
	Consolidated Financial Statements	Separate Financial Statements		
Inventories	6,155			6,155
Trade receivables and advances to suppliers	399,824			399,824
Current tax receivables	3,764			3,764
Other current assets	21,850	277		22,127
Current financial assets	973	653	(653)	973
Cash and cash equivalents	102,057	21		102,078
TOTAL CURRENT ASSETS	**534,623**	**951**	**(653)**	**534,921**
Assets held for sale	0			0
TOTAL NON-CURRENT ASSETS HELD FOR SALE	**0**	**0**	**0**	**0**
TOTAL ASSETS	**1,069,662**	**588,658**	**(554,841)**	**1,103,479**
SHAREHOLDERS' EQUITY AND LIABILITIES				
SHAREHOLDERS'EQUITY				
Share capital	109,150	250	(250)	109,150
Reserves	153,321	214,800	(413,061)	(44,940)
Retained earnings	35,915	(26,023)	26,023	35,915
Profit/(loss) for the year attributable to equity holders of the Parent	11,749			11,749
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**310,135**	**189,027**	**(387,288)**	**111,874**
Capital and reserves attributable to non-controlling interests	888			888
Profit/(loss) for the year attributable to non-controlling interests	23			23
EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	**911**	**0**	**0**	**911**
TOTAL SHAREHOLDERS' EQUITY	**311,046**	**189,027**	**(387,288)**	**112,785**
NON-CURRENT LIABILITIES				
Employee termination indemnity	14,768			14,768
Provisions for risks and charges, non-current	25,867			25,867
Subordinated Shareholder's Funding	0	49,700		49,700
Long-term financial debt	181,616	344,871	(166,899)	359,588

	Rekeep S.p.A. Consolidated Financial Statements	CMF S.p.A. Separate Financial Statements	Effects of the merger	Consolidated Financial Statements post merger of Rekeep S.p.A. at 1 July 2018
Deferred tax liabilities	12,234	2,116		14,350
Other non-current liabilities	685			685
TOTAL NON-CURRENT LIABILITIES	**235,170**	**396,687**	**(166,899)**	**464,958**
CURRENT LIABILITIES				
Provisions for risks and charges, current	5,290			5,290
Trade payables and contract liabilities	376,835	1,497		378,331
Current tax payables	4,160	7		4,167
Other current liabilities	104,827			104,827
Bank borrowings, including current portion of long-term debt, and other financial liabilities	32,334	1,440	(653)	33,121
TOTAL CURRENT LIABILITIES	**523,446**	**2,944**	**(653)**	**525,736**
Liabilities directly associated with assets held for sale	0			0
LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS HELD FOR SALE	**0**	**0**	**0**	**0**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**1,069,662**	**588,658**	**(554,840)**	**1,103,479**

The consolidated income statement for the year ended 31 December 2018, pro-formed with the value of CFM S.p.A. in the six months before merger as if it had taken place with effect from 1 January 2018, is shown below.

	For the year ended 31 December 2018			
	Rekeep S.p.A. Consolidated Financial Statements	CMF S.p.A. Separate Financial Statements	Pro-forma effects of the merger	Pro-forma Consolidated Financial Statements of Rekeep S.p.A.
REVENUE				
Revenue from contracts with customers	943,740			943,740
Other revenue	6,142			6,142
TOTAL REVENUE	**949,882**	**0**	**0**	**949,882**

	For the year ended 31 December 2018			
	Rekeep S.p.A. Consolidated Financial Statements	CMF S.p.A. Separate Financial Statements	Pro-forma effects of the merger	Pro-forma Consolidated Financial Statements of Rekeep S.p.A.
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)	(112)		(325,370)
Personnel costs	(392,548)	(3)		(392,551)
Other operating costs	(6,660)	(1)		(6,661)
Lower costs for internal work capitalised	4,140			4,140
Amortization, depreciation, write-downs and write-backs of assets	(31,122)			(31,122)
Accrual (reversal) to provisions for risks and charges	(2,584)			(2,584)
TOTAL OPERATING COSTS	**(894,133)**	**(116)**	**0**	**(894,249)**
OPERATING INCOME	**55,749**	**(116)**	**0**	**55,633**
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	8,679	(8.679)	1,597
Financial expenses	(33,544)	(17,705)	8.679	(42,570)
Gains / (losses) on exchange rate	(156)	(2)		(158)
Profit/(loss) before taxes from continuing operations	**24,269**	**(9,144)**	**0**	**15,125**
Income taxes	(8,426)	(509)		(8,935)
Profit/(loss) from continuing operations	**15,843**	**(9,653)**	**0**	**6,190**
Profit/(loss) after taxes from discontinued operations	0	0		0
Net profit (loss) for the year	**15,843**	**(9,653)**	**0**	**6,190**
Net profit (loss) attributable to non- controlling interests	(109)	0		(109)
NET PROFIT (LOSS) FOR THE YEAR	**15,734**	**(9,653)**	**0**	**6,081**

3.2 Acquisition of a majority stake in EOS

On 28 February 2018 Rekeep World S.r.l. (formerly Manutencoop International FM S.r.l.), the sub-holding company of the Group dedicated to the development of international markets, acquired from the Turkish shareholder Ozcan Ertunc a stake equal to 1% in the share capital of EOS Hijyen İşletmeciliği Tesis Hizmetleri Sağlık İnşaat Servis ve Mühendislik Anonim Şirketi ("EOS"), based in Ankara. EOS is a company active in linen rental and industrial laundering and sterilization services of linen and surgical instruments to support health care activities in Turkey and can count on a number of important contracts in its portfolio, including the Okmeydanı Training and Research Hospital in Istanbul, the Ataturk Training and Research Hospital in Ankara and the Integrated Health Care Campuses in Mersin and Isparta, public-private partnership projects that are part of the investment programme aimed at modernising the Turkish healthcare sector through the construction of new hospitals.

The subsidiary Servizi Ospedalieri S.p.A. previously held a stake of 50% in the share capital of EOS, established as a joint venture with local partners in 2012 and included in the Consolidated Financial Statements of the Rekeep Group with the equity method. Again on 28 February 2018 this stake was transferred to the subsidiary Rekeep World S.r.l. and, in accordance with IFRS 10, the assets of EOS were consolidated on a line-by-line basis following the acquisition of control over the same.

Accounting effects of the acquisition

Following the acquisition of a stake equal to 1%, the Rekeep Group holds a controlling interest in EOS. The acquisition transaction is a business combination, therefore the Group applied IFRS 3 in its accounting. The purchase consideration for the shareholding amounted to € 2,000 thousand and was fully paid to the counterparties at the date of completion of the transaction.

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:

	Recognised value	Book value
ASSETS		
Non-current assets		
Property, plant and equipments	1,615	1,615
Property, plant and equipments under lease	76	76
Non-current financial assets	273	273
Total non-current assets	**1,964**	**1,964**
CURRENT ASSETS		
Inventories	181	181
Trade receivables and advances to suppliers	632	632
Other current receivables	423	423

	Recognised value	Book value
Cash and cash equivalents	282	282
TOTAL CURRENT ASSETS	**1,518**	**1,518**
TOTAL ASSETS	**3,482**	**3,482**
LIABILITIES		
NON-CURRENT LIABILITIES		
Equity attributable to non-controlling interests	305	305
Long-term financial debt	838	838
Other non-current liabilities	682	682
TOTAL NON-CURRENT LIABILITES	**1,825**	**1,825**
CURRENT LIABILITES		
Short-term loans	2	2
Trade payables and contract liabilities	1,025	1,025
Other current liabilities	313	313
TOTAL CURRENT LAIBILITIES	**1,340**	**1,340**
TOTAL LIABILITIES	**3,165**	**3,165**
FAIR VALUE OF NET ASSETS	**317**	**317**
Fair value of 50% stake already held by the Group	346	
GOODWILL ARISING FROM THE BUSINESS COMBINATION	**2,029**	
Consideration paid to the transferor	2,000	
TOTAL COST OF THE BUSINESS COMBINATION	**2,000**	
Net cash used in the acquisition:		
Cash and cash equivalents of the acquired company	282	
Payments to the transferor	(2,000)	
NET CASH USED IN THE ACQUISITION	**(1,718)**	

The fair value of the assets and liabilities acquired through the combination amounted to € 317 thousand, while net cash used in the combination amounted to € 1,718 thousand.

In 2018 EOS contributed to the Group's revenues for € 2,404 thousands from the date of acquisition.

3.3 Acquisition of a majority quota in Medical Device S.r.l.

On 3 July 2018 the Group acquired, through its subsidiary Servizi Ospedalieri S.p.A, a stake of 60% in the quota capital of Medical Device S.r.l., a company specialized in the production of procedural kits for the healthcare sector, i.e. disposable packs containing all the devices needed to support the healthcare team in performing surgical procedures. The operation was concluded through the subscription of a capital increase of € 2.0 million by Servizi Ospedalieri S.p.A. and is part of the growth and development strategy of the Rekeep Group, which provides for the entry into specialist sectors contiguous to the core business increasing its presence and consolidating its leadership at national and international level in the business of services in support of healthcare activities.

Medical Device S.r.l., based in Montevarchi (Arezzo), reported revenues of € 4.4 million in 2017 and approximately 30 employees. Furthermore, over the years the Company has acquired certifications for the marketing of Class 3 medical devices, particularly critical for their intended use and requiring very complex certification procedures by Notified Bodies.

Accounting effects of the acquisition

The acquisition transaction is established as a business combination, therefore the Group has applied IFRS 3 in the accounting of the same. The consideration for the purchase of the investment amounted to € 1,985 thousand and was paid by way of increase in the equity of the company acquired against payment at the date of completion of the transaction.

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:

	Recognised value	Book value
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipments	21	21
Property, plant and equipments under lease	383	383
Other intangible assets	57	57
Other equity investments	9	9
Other non-current assets	46	46
Deferred tax assets	78	78
TOTAL NON-CURRENT ASSETS	**595**	**595**
CURRENT ASSETS		
Inventories	902	902
Trade receivables and advances to suppliers	2,194	2,194
Current tax receivables	1	1

	Recognised value	Book value
Other current assets	33	33
Cash and cash equivalents	2,153	168
TOTAL CURRENT ASSETS	**5,283**	**3,299**
TOTAL ASSETS	**5,878**	**3,894**
LIABILITIES		
NON-CURRENT LIABILITIES		
Equity attributable to non-controlling interest	(42)	(42)
Provisions for employee termination indemnity	264	264
Provisions for risks and charges, non-current	395	395
Long-term financial debts	482	482
TOTAL NON-CURRENT LIABILITIES	**1,099**	**1,099**
CURRENT LIABILITIES		
Short-term loans	1,530	1,530
Trade payables and contract liabilities	1,344	1,344
Current tax payables	16	16
Other current liabilities	1,951	1,951
TOTAL CURRENT LIABILITIES	**4,841**	**4,841**
TOTAL LIABILITIES	**5,940**	**5,940**
FAIR VALUE OF NET ASSETS	**(62)**	**(2,047)**
GOODWILL ARISING FROM THE BUSINESS COMBINATION	**2,047**	
AMOUNTS PAID AS AN INCREASE IN SHAREHOLDERS' EQUITY	**1,985**	
Total cost of the business combination:		
Consideration paid for capital increase	1,985	
Additional costs for the transfer	78	
TOTAL COST OF THE BUSINESS COMBINATION	**2,063**	
Net cash used in the acquisition:		
Cash and cash equivalents of the acquired company	168	
Additional costs for the acquisition	(78)	
NET CASH USED IN THE ACQUISITION	**90**	

The fair value of the assets and liabilities acquired through the combination is negative for € 62 thousand, while the total cost of the combination amounted to Euro 1,985 thousand, in addition to additional charges of € 78 thousand. The net liquidity generated in the combination was equal to € 90 thousand.

Medical Device S.r.l. contributed to the Group's revenues for € 1,854 thousands from the date of acquisition.

4. PROPERTY, PLANT AND EQUIPMENT

The table below shows the changes in property, plant and equipment (both company-owned and held under finance lease) in the year ended 31 December 2018.

	Property	Plant and equipment	Property under lease	Plant and equipment under lease	Total
At 1 January 2018, net of accumulated depreciation and impairment	**13,428**	**52,136**	**4,408**	**1,371**	**71,343**
Additions from business combinations		1,636	291	168	2,095
Additions from acquisitions	54	23,917	2	67	24,040
Disposals	(248)	(209)			(457)
Depreciation for the year	(341)	(19,613)	(117)	(191)	(20,262)
Others	3	(2,774)		(15)	(2,786)
At 31 December 2018	**12,896**	**55,093**	**4,584**	**1,400**	**73,973**
At 1 January 2018					
Historical cost	16,076	354,888	4,699	4,943	380,606
Accumulated depreciation and impairment losses	(2,648)	(302,752)	(291)	(3,572)	(309,263)
NET BOOK VALUE	**13,428**	**52,136**	**4,408**	**1,371**	**71,343**
At 31 December 2018					
Historical cost	15,885	377,458	4,992	5,163	403,498
Accumulated depreciation and impairment losses	(2,989)	(322,365)	(408)	(3,763)	(329,525)
NET BOOK VALUE	**12,896**	**55,093**	**4,584**	**1,400**	**73,973**

The additions from acquisitions for the year refer to the lines of *laundering&sterilization* segment for € 15,462 thousand and to the purchases of other machinery and specific equipment for € 8,578 thousand, relating to both the sectors in which the Group operates. During the year, increases were also recorded due to business combinations, relating to the acquisition of a majority interest in EOS and Medical Devices, to which reference should be made in note 3.

Furthermore, on 26 March 2018, a property located in the municipality of Jesolo was disposed of by subsidiary Sicura S.p.A. for a total of € 248 thousand. During the year additional disposals were made for € 209 thousand.

The table below shows the changes in property, plant and equipment owned in the year ended 31 December 2017. The lower part of the table reports historical costs and accumulated depreciation at the beginning and at the end of the year.

	Property	Plant and equipment	Property under lease	Plant and equipment under lease	Total
At 1 January 2017, net of accumulated depreciation and impairment	**13,704**	**50,779**	**26**	**1,601**	**66,110**
Additions from acquisitions	71	20,488	4,489		25,048
Disposals		(498)			(498)
Depreciation for the year	(346)	(18,667)	(81)	(223)	(19,317)
Others		33	(26)	(7)	0
At 31 December 2017	**13,429**	**52,135**	**4,408**	**1,371**	**71,343**
At 1 January 2017					
Historical cost	16,005	334,865	236	4,950	356,056
Accumulated depreciation and impairment losses	(2,301)	(284,086)	(210)	(3,349)	(289,945)
NET BOOK VALUE	**13,704**	**50,779**	**26**	**1,601**	**66,110**
At 31 December 2017					
Historical cost	16,076	354,888	4,699	4,943	380,606
Accumulated depreciation and impairment losses	(2,648)	(302,752)	(291)	(3,572)	(309,263)
NET BOOK VALUE	**13,428**	**52,136**	**4,408**	**1,371**	**71,343**

5. OTHER INTANGIBLE ASSETS

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 amortisation and impairment	**25,169**	**370,363**	**395,532**

	Other intangible assets	Goodwill	Total
Additions from business combinations	57	37,259	37,316
Additions from acquisitions	7,987		7,987
Disposals	(40)		(40)
Amortisation 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 amortisation and impairment losses	(84,267)	(2,393)	(86,660)
NET BOOK VALUE	**25,169**	**370,363**	**395,532**
At 31 December 2018			
Historical cost	117,480	410,015	527,495
Accumulated amortisation and impairment losses	(91,846)	(2,393)	(94,239)
NET BOOK VALUE	**25,634**	**407,622**	**433,256**

Goodwill is tested annually for impairment; see note 6 for details. The increases due to business combinations during the year refer to: (i) the acquisition of the majority stake in the Turkish company EOS for € 2,029 thousand; (ii) the acquisition of a stake of 60% in the quota capital of Medical Device S.r.l. for € 2,047 thousand; (iii) the accounting effects of the merger of CMF S.p.A. by incorporation into its subsidiary Rekeep S.p.A., with the consequent entry of its assets in the scope of consolidation of the Rekeep Group. For more details refer should be made to note 3.

Other intangible assets, amounting to € 25,634 thousand at 31 December 2018, 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 (€ 7,987 thousand) were mainly attributable to the Parent Company Rekeep S.p.A. (€ 6,533 thousand) and relating to the implementation and upgrading of software platforms used by the Group. Furthermore, acquisitions of the subsidiary Yougenio for € 855 thousand were recognised, aimed at developing and upgrading the e-commerce portal intended for the B2C market, and € 507 thousand relating to foreign companies, for the start-up of activities in France and Turkey.

The table below shows the changes in intangible assets in the year ended 31 December 2017:

	Other intangible assets	Goodwill	Total
At 1 January 2017, net of accumulated amortisation and impairment	**26,114**	**370,456**	**396,570**
Additions from acquisitions	6,501		6,501

	Other intangible assets	Goodwill	Total
Amortisation for the year	(7,446)		(7,446)
Others		(93)	(93)
At 31 December 2017	**25,169**	**370,363**	**395,532**
At 1 January 2017			
Cost	102,934	372,849	475,783
Accumulated amortisation and impairment losses	(76,820)	(2,393)	(79,213)
NET BOOK VALUE	**26,114**	**370,456**	**396,570**
At 31 December 2017			
Cost	109,436	372,756	482,192
Accumulated amortisation and impairment losses	(84,267)	(2,393)	(86,660)
NET BOOK VALUE	**25,169**	**370,363**	**395,532**

6. 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 supplier of specialist services
- Telepost S.p.A., a specialist company for internal mailing services
- e-Digital Services S.r.l., which is active in the sector of high technology services to businesses
- Yougenio S.r.l., which is active in the facility management for the B2C market
- Rekeep World S.r.l. and its foreign subsidiaries, dedicated to commercial development in international markets
- other minor investee companies operating in the same segment.

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 2018, divided into different CGUs.

	31 December 2018	31 December 2017
Goodwill allocated to Facility management CGU	393,813	358,600
Goodwill allocated to Laundering & Sterilization CGU	13,809	11,763
CONSOLIDATED GOODWILL	**407,622**	**370,363**

Facility management CGU Goodwill

The goodwill allocated to the Facility management CGU, which amounted to € 393,813 thousand at 31 December 2018, 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.;
- 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;
- On 28 February 2018, the 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%). 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;
- 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.

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 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 to

which goodwill was allocated, determined on the basis of the discounting-back of expected future cash flows relating to the period from 2019 to 2023 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 22 February 2019.

The estimated value in use of the Facility management SBU and of the Laundering & Sterilization SBU was based on the following assumptions:

- The expected future cash flows, for the period from 2019 to 2023, 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 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.
- 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 2023 EBIT adjusted by the average expected depreciation and amortisation and investments, net of a nominal tax rate. As regards long-term growth rates, an assumption of 1% was considered both for the Facility management SBU and for the Laundering & Sterilization SBU.
- The expected future cash flows were discounted back at a discount rate (WACC) of 8.16% for the Facility management SBU (2017: 8.04%) and at a discount rate (WACC) of 7.58% (2017: 7.05%) for the Laundering & Sterilization SBU. 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 the Facility management SBU and 100 basis points for Laundering & Sterilization SBU in each period of time.

For all CGUs/SBUs 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, a "Worst Case" was outlined with reference to the WACC and to the growth rates applied. However, in simulating nil or negative growth rates, also in combination with WACCs exceeding those applied by two percentage points (and, then, equal to 10.16% for Facility management and to 9.58% or Laundering & Sterilization, respectively), there would be no need to make write-downs in both CGUs/SBUs, as the recoverable value would exceed the related book value .

7. INVESTMENTS VALUED 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 2018 the net-book value of investments valued at Equity reported a net amount of € 19,120 thousand, against a net amount of € 27,214 thousand in the previous year.

	Net Assets 31 December 2018	Net Assets 31 December 2017
Investments valued at Equity	1,207	27,294
Provision for risks on investments	(87)	(80)
INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD	**19,120**	**27,214**

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

During 2018 investments accounted for under the equity method recorded a positive result of € 1,466 thousand, for the share attributable to the Group, as a result of the recognition of income from equity investments of € 1,480 thousand and write-downs of € 14 thousand. Furthermore, negative effects were recognized directly in the Consolidated Equity to an overall amount of € 315 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
Palazzo della Fonte S.c.p.a.	33.3%	82,985	(45,659)	(37,326)	(39,038)	15,419	16
Roma Multiservizi S.p.A.	45.47%	46,774	(39,379)	(7,395)	(8,159)	83,692	(7,385)
Project financing companies	<50%	66,115	(64,104)	(2,011)	(42,716)	12,960	(44)

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. On 28 December 2018, a portion of the stakes held in Sesamo Servizi Sanitari Modenesi S.p.A. and Synchron Nuovo San Gerardo S.p.A. were sold to third parties, through the disposal of the investment in MFM Capital S.r.l., and therefore from that date they are no longer included in the scope of consolidation but, for the residual minority interest held by the Group, are valued at cost under "Other investments".

8. OTHER NON-CURRENT ASSETS

The table below sets forth the breakdown of other non-current assets at 31 December 2018 and at 31 December 2017:

	31 December 2018	31 December 2017
Other investments	4,905	4,757
Non-current financial assets	5,662	11,369
Other non-current assets	2,897	2,998
OTHER NON-CURRENT ASSETS	**13,464**	**19,124**

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 € 5,662 thousand at 31 December 2018 (€ 11,369 thousand at 31 December 2017), are composed of:

- € 1,632 thousand of non-current financial receivables due from associates, affiliates and joint ventures (€ 7,319 thousand at 31 December 2017). The face value of these receivables is € 1,676 thousand, while the discounting fund amounts to € 44 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;
- € 3,929 thousand of non-current financial receivables from third parties, substantially in line with the balance at 31 December 2017 (€ 3,949 thousand);
- € 101 thousand of securities held to maturity, which remained unchanged compared to 31 December 2017.

The overall decrease in this item during the year was mainly due to the transfer of the loan from Progetto ISOM S.p.A. to third parties on 20 July (Euro 2,109 thousand), at the same time as the disposal of a stake in the investment itself. Furthermore, the disposal to 3i EOPF of 95% of the quota capital of MFM Capital S.r.l., as described above, resulted in the deconsolidation of the balance sheet balances of the loans relating to the project companies in which it holds an interest, for a total of € 5,098 thousand. At 31 December 2018 the item also included the long-term portion, equal to € 2,357 thousand, of the deferred price relating to this disposal.

Other non-current assets, amounting to € 2,897 thousand at 31 December 2018 (€ 2,998 thousand at 31 December 2017) mainly consist of security deposits related to long-term manufacturing contracts (€ 1,669 thousand) and long-term prepaid expenses relating to certain job orders (€ 909 thousand).

9. INVENTORIES

The Group recognized inventories of € 7,421 thousand at 31 December 2018, marking an increase of € 1,364 thousand compared to the amount in the previous year .

	31 December 2018	31 December 2017
Inventories of raw materials, consumables and goods for resale	7,691	6,282
Provision for write-down of raw materials, finished products and goods for resale	(270)	(225)
INVENTORIES	**7,421**	**6,057**

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 safety and fire prevention devices) stored in the warehouses of the Sicura Group and stocks of fuel in tanks belonging to integrated service customers.

10. TRADE RECEIVABLES, ADVANCE 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 2018 and 31 December 2017:

	31 December 2018	of which from related parties	31 December 2017	of which from related parties
Contract assets	25,215		22,047	
Trade receivables, gross	404,894		401,322	
Allowance for doubtful accounts	(33,283)		(32,987)	
Trade receivables from third parties	**396,826**	**0**	**390,382**	**0**
Trade receivables from Manutencoop Società Cooperativa	88	88	100	100

	31 December 2018	of which from related parties	31 December 2017	of which from related parties
Trade receivables from Associates	11,796	11,796	31,343	31,343
Trade receivables from joint ventures	4,142	4,142	4,280	4,280
Trade receivables from Group	**16,026**	**16,026**	**35,723**	**35,722**
Advances to suppliers	5,078	1	3,060	56
TRADE RECEIVABLES AND ADVANCES TO SUPPLIERS	**417,930**	**16,027**	**429,165**	**35,778**
Other tax receivables due within 12 months	12,845		19,767	
Other current receivables from third parties	5,845		7,542	
Short-term receivables from social security institutions	1,187		1,120	
Short-term receivables from employees	146		203	
Other current assets from third parties	**20,023**	**0**	**28,632**	**0**
Current assets from Manutencoop Società Cooperativa	10	10	45	45
Current assets from associates	103	103	664	664
Current assets from joint ventures	23	23	0	0
Other current assets from Group	**136**	**136**	**709**	**709**
Accrued income	0		0	
Prepaid expenses	2,161		1,502	
Accrued income and prepaid expenses	**2,161**	**0**	**1,502**	**0**
OTHER CURRENT ASSETS	**22,320**	**136**	**30,842**	**709**

The balance of trade receivables and advances to suppliers, which also includes contract assets, amounted to € 417,930 thousand at 31 December 2018, showing a decrease of € 11,234 thousand compared to the amount at 31 December 2017 (€ 429,164 thousand).

The change in question was mainly contributed to by the decrease of € 19,696 thousand in trade receivables from other Group companies, which were only partially offset by an increase of € 3,276 thousand in trade receivables from third parties, net of the change recorded in the provision for bad debts, and by an increase of € 3,168 thousand in contract assets.

In 2018 trade receivables from third parties were subjected to assignments without recourse.

On 27 December 2018 the Parent Company Rekeep S.p.A. and 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 € 200 million. The new agreement replaces the previous contract, finalized in 2016 again with Banca

Farmafactoring S.p.A., which provided for an annual ceiling of up to € 100 million for the sale of receivables due only from the National Health System.

Furthermore, there were assignments without recourse of trade receivables claimed from Public Administration entities against the counterparty Banca Farmafactoring S.p.A. itself, but not linked to the contract referred to above. 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.

The disposals made during the year are summarised below:

	Nominal value of assignments in 2018	Balance of trade receivables assigned and not yet collected by the Factor
Banca Farmafactoring S.p.A.	117,639	42,621
Banca Farmafactoring S.p.A. (spot assignments to Public Administration)	4,275	3,410
Banca IFIS S.p.A.	29,520	2,476
Unicredit Factoring S.p.A	11,834	11,834
TOTAL ASSIGNMENTS WITHOUT RECOURSE	**163,268**	**60,341**

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 € 2,690 thousand.

Finally, trade receivables from the Group amounted to € 16,026 thousand (€ 35,723 thousand at 31 December 2017), in addition to advances for € 1 thousand (€ 56 thousand at 31 December 2017). 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 € 33,283 thousand at 31 December 2018 (€ 32,987 thousand at 31 December 2017). Below are the changes for the year:

	31 December 2017	Business combinations	Increases	Uses	Releases	Other changes	31 December 2018
Provision for bad debts	32,987	79	3,318	(2,492)	(336)	(273)	33,283

An analysis of trade receivables at 31 December 2018 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.

	Total	Trade receivables reaching maturity	Overdue trade receivables				
			< 30 days	30 - 60 days	60 - 90 days	90 - 120 days	Beyond 120 days
31 December 2018	371,611	257,171	33,996	12,945	9,559	5,078	52,862
31 December 2017	368,335	256,985	23,221	11,428	7,527	10,467	58,707

Other current assets, equal to € 22,320 thousand (€ 30,842 thousand at 31 December 2017), showed a total decrease of € 8,522 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 (€ 11,358 thousand against € 18,095 thousand at 31 December 2017), 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. The decrease compared to the balance of the previous year is due to the assignments without recourse of VAT receivables of some Group companies, for a total nominal amount of € 32,910 thousand and an interest discount of € 330 thousand in 2018;
- 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 € 712 thousand. During 2018 the Parent Company Rekeep S.p.A and subsidiary H2H Facility Solutions S.p.A., started additional 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 2018. As early as in 2017, Rekeep S.p.A. and H2H Facility Solutions S.p.A., in addition to e-Digital Services S.r.l. and Yougenio S.r.l., had started various Research and Development projects having the same key features. The tax credits accrued in that year, which amounted to € 1,079 thousand, were fully used to offset the payment of tax debts during 2018. 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.

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

A breakdown of the balance as at 31 December 2018 and 31 December 2017 is shown below:

	31 December 2018	31 December 2017
Bank and postal deposits	88,298	51,817
Cash in hand	49	38
Current financial accounts - consortia	6,386	8,015
CASH AND CASH EQUIVALENTS	**94,733**	**59,870**
Current financial receivables from third parties	5,170	1,683
Current financial receivables from Group Companies	181	185
Transferrable securities	179	
Other receivables for dividends	2	2
RECEIVABLES AND OTHER CURRENT FINANCIAL ASSETS	**5,532**	**1,870**

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.

At 31 December 2018 *Current financial assets* amounted to € 5,532 thousand (at 31 December 2017 equal to € 1,870 thousand). At the end of the year under examination the following items were mainly recognised:

- the short-term share, equal to Euro 2,650 thousand, of the deferred price referring to the sale to 3i European Operational Projects SCSp of 95% of the quota capital of MFM Capital S.r.l. (for more details, reference should be mate to note 25) ;
- 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 € 1,576 thousand (€ 1,494 thousand at 31 December 2017);
- An overall amount of € 181 thousand of receivables from short-term loans and financial accounts held with non-consolidated Group companies (€ 302 thousand at 31 December 2017).

12. SHARE CAPITAL AND RESERVES

	31 December 2018	31 December 2017
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 2018 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 at 31 December 2018 (€ 45,400 thousand at 31 December 2017), for the recognition of the effects of the merger of CMF S.p.A. by incorporation into Rekeep S.p.A. during the year.
- The Parent Company's extraordinary reserve equal to € 36,961 thousand.

	Share premium reserve	Legal reserve	SE reserves companies valued at equity	Reserve for translation of financial statements in foreign currency	SORIE reserve	Other reserves	Total reserves
1 January 2017	**145,018**	**18,383**	**3,364**	**0**	**(5,231)**	**26,323**	**187,857**
Allocation of profits of previous years		1,321				(44,037)	(42,716)
Economic effects accounted on equity			(210)		(2)	(75)	(287)
31 December 2017	**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
Business combinations "Under Common Control"						(198,261)	(198,261)

	Share premium reserve	Legal reserve	SE reserves companies valued at equity	Reserve for translation of financial statements in foreign currency	SORIE reserve	Other reserves	Total reserves
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**

The table below shows changes in *Retained earnings*:

	Accumulated profits (losses) of the Parent Company	Consolidation reserve	Total retained earnings
1 January 2017	**(40,447)**	**32,929**	**(7,518)**
Allocation of profits of previous years	44,256	7,017	51,273
31 December 2017	**3,809**	**39,946**	**43,755**
Allocation of profits of previous years	0	(8,844)	(8,844)
31 December 2018	**3,809**	**31,102**	**34,911**

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 December2018	31 December 2017
Equity attributable to minority interests	**668**	**381**
of which:		
Subsidiaries of Sicura S.p.A.	0	218
Subsidiaries of Rekeep World S.r.l.	267	0
Other subsidiaries and consortia	401	163

	31 December2018	31 December 2017
Profit (loss) attributable to minority interests	**109**	**73**
of which:		

	31 December2018	31 December 2017
Subsidiaries of Sicura S.p.A.	0	73
Subsidiaries of Rekeep World S.r.l.	8	0
Other subsidiaries and consortia	101	0

The equity and profit (loss) attributable to minority interests relate to the minorities present in some subsidiaries.

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 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 recognised 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 year in the Shareholders' Equity of non-controlling interests.

Finally, shareholders' equity of third parties includes the minority interests of the newly-acquired Medical Device S.r.l. (40%) and the newly established Energy Saving Valsamoggia S.r.l. (37%).

Finally, it should be noted that on 20 September 2018 Sicura S.p.A. acquired a minority interest in the subsidiary Evimed S.r.l., already 90% owned, with the definitive withdrawal of the minority shareholders from the scope of its sub-group.

13. EMPLOYEE TERMINATION INDEMNITY (TFR)

Below are the changes in the liabilities relating to Employee Termination Indemnity (TFR) in 2018, compared with changes in the previous year.

	For the year ended	
	31 December 2018	31 December 2017
AT 1 JANUARY	**15,519**	**17,043**
Additions for business combinations	264	0
Current service cost	825	691
Interest costs on benefit obligations	248	244
Benefits paid	(1,876)	(2,453)
Net actuarial (gains)/ losses from benefit obligations	(247)	(7)
Other changes	(3)	1
AT 31 DECEMBER	**14,730**	**15,519**

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

	For the year ended	
	31 December 2018	31 December 2017
Current service cost	825	691
Interest costs on benefit obligations	248	244
NET COST OF THE BENEFITS RECOGNIZED THROUGH PROFIT OR LOSS	**1,073**	**935**
Net actuarial (gains)/ losses recognized in equity	(247)	(7)
TOTAL NET BENEFIT COSTS	**826**	**928**

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

	31 December 2018	31 December 2017
Discount rate	1.80%	1.65%
Inflation rate	1.50%	1.50%
Estimated turnover	From 1.5% to 11.50%	From 3.5% 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 2018 the discount rate was equal to 1.80% (1.65% in 2017).

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:

	Discount rate	Actuarial assumptions	Employee termination indemnity
Financial year ended 31 December 2018	+ 0.25 bps	+ 0.09 pps	14,283
	- 0.25 bps	- 0.09 pps	15,103

	Discount rate	Actuarial assumptions	Employee termination indemnity
Financial year ended 31 December 2017	+ 0.25 bps	+ 0.25 pps	15,089
	- 0.25 bps	- 0.25 pps	15,966

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 :

	31 December 2018	31 December 2017
Executives	53	56
Office workers	1,203	1,232
Manual workers	15,197	14,947
AVERAGE STAFF	**16,452**	**16,235**

The average number of leased employees provided to the Group by Manutencoop Società Cooperativa was equal to no. 418 units at 31 December 2018 (31 Decembe2017 no. 429 units).

14. PROVISIONS FOR RISKS AND CHARGES

The breakdown and changes in the provisions for risks and charges for the year ended 31 December 2018:

	Risks on investments	Risks on job orders	Pending legal disputes	Tax litigation	Agents' indemnity leave	Termination employee benefits	Other provisions	Total
At 1 January 2018	**80**	**5,043**	**25,514**	**478**	**223**	**909**	**2,088**	**34,335**
Additions for business combinations			23	372				**395**
Accruals	7	1,416	2,413	435			1,260	**5,532**
Uses		(1,221)	(2,067)	(126)		(798)	(1,093)	**(5,305)**
Reversal		(715)	(2,075)				(158)	**(2,948)**
Others		107	(282)		21	282	0	**128**
At 31 December 2018	**87**	**4,630**	**23,525**	**1,160**	**244**	**394**	**2,098**	**32,137**
At 31 December 2018:								
Current	87	4,529	91	914	0	394	933	6,948

	Risks on investments	Risks on job orders	Pending legal disputes	Tax litigation	Agents' indemnity leave	Termination employee benefits	Other provisions	Total
Non-current	0	101	23,434	246	244	0	1,165	25,189
At 31 December 2017:								
Current	80	4,936	290	478	0	909	17	6,711
Non-current	0	106	25,224	0	223	0	2,071	27,624

Provision for risks on investments

The item, amounting to € 87 thousand at 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 year amounted to € 4,630 thousand, against accruals of € 1,416 thousand, in addition to uses, releases and other changes that led to an overall decrease of € 1,829 thousand in the provision.

Provision for pending 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 2018 the provision, totalling € 23,525 thousand, recorded increases for accruals to provisions of € 2,413 thousand, in addition to the contribution given by the first consolidation of Medical Device S.r.l. for € 23 thousand, and decreases for uses, releases and other changes totalling € 4,425 thousand.

Provisions were mainly recognised to hedge the risks involving the Parent Company Rekeep S.p.A. for € 2,228 thousand and Servizi Ospedalieri S.p.A. for € 120 thousand. Uses, releases and other changes recorded in the year 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 of € 48,510 thousand against the parent company Rekeep S.p.A. (formerly Manutencoop Facility Management S.p.A.) which rejected the arguments on which the charge was based and lodged an appeal against the Authority's order with the Lazio Regional Administrative Court (*Tribunale Amministrativo Regionale*, TAR). On 14 October 2016 it 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, with the recommendation to reduce both the related taxable base, thus limiting it to the contracted tender amount, and the percentage to be applied to the abovementioned amount, from 15% to 5%. Rekeep S.p.A. challenged the trial judgment before the Council of State; on 28 February 2017 the latter handed down its ruling, confirming the judgment issued by the Lazio Regional Administrative Court. However, Rekeep S.p.A. has also challenged the Council of State's ruling, filing an appeal with the Supreme Court on 21 May 2017. The Supreme Court has set the hearing in chambers on 23 October 2018, while it declared the appeal inadmissible on 18 January 2019. Finally, 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.

On the other hand, on 24 March 2017, the Lazio Regional Administrative Court decided against the application to stay the related payment lodged by the Company and therefore, the entire amount of the fine was reclassified in the item "Other operating liabilities". Finally, the Competition Authority intervened with the measure of 28 April 2017 with regard to the request for payment by instalments submitted by Rekeep S.p.A., allowing the latter to pay the fine in 30 monthly instalments at the legal interest rate (currently 0.8%). The Company is paying the monthly instalments on a regular basis.

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.

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 first hearing for the discussion of the requests submitted during preliminary investigations was held on 5 December 2017; the next hearing for specifying conclusions has been scheduled on 9 April 2019.

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.. 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 decided to maintain the provisions for future charges in the Financial Statements at 31 December 2017 and 31 December 2018 (equal to € 17.5 million), also taking account of the risk of enforcement of the abovementioned performance bond and despite the fact that Rekeep S.p.A. could submit sound arguments against the enforcement of the bond in court. 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.

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.

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.

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, in consideration of the defence arguments discussed with the Company's legal counsels, which may be submitted both upon participation in the ANAC procedure and at the time of any possible appeal filed with administrative courts, as well as based on the rulings recently handed down by the latter, which has suspended the abovementioned exclusion measures already enacted.

The aforesaid decisions do not imply in any case any 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 2018 and are not included in the Group's backlog at 31 December 2018.

Finally, on 23 March 2017 AGCM notified Rekeep S.p.A. of the initiation of a preliminary investigation procedure 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., Rekeep S.p.A., Romeo Gestioni S.p.A. e STI S.p.A. in order to establish whether these companies implemented any possible understanding restricting competition, concerning the coordination of the procedures to participate in the tender launched by Consip in 2014 for awarding the Facility Management services to be rendered to the properties that are mainly intended for office use on the part of the Public Authorities ("FM4 Tender").

To date AGCM has started preliminary investigations and has allowed the Companies to access the papers of the proceedings, as well as held a hearing for the Company on 24 April 2018. By an order of 22 November 2017 the Competition Authority also extended, both objectively and subjectively, the proceedings that had already been started. By an order of 18 April 2018, the Authority further subjectively extended the proceedings and postponed on more than one occasion the time limit for the conclusion which, by the last order of 8 February 2018, was further postponed to 20 April 2019, setting the date for the final hearing at 12 March 2019. The Company firmly rejects the arguments holding an alleged collusive agreement with the other companies involved in the proceedings. The Directors believe that in no case are the requirements met in terms of probability, as well as of reliable estimate, required by the international accounting standards to set aside a provision for risks.

The Directors believe that there are no significant uncertainties for the purposes of assessing whether the Company meets the going-concern principle, as they fully rely on the arguments discussed with its own legal counsels and have also considered the financial soundness of the Company and of the Group, as well as the substantial amount of contracts that had already been gained as at the reporting date of the Consolidated Financial Statements.

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 € 394 thousand at 31 December 2018, against total uses of € 798 thousand in the year, in addition to other changes of € 282 thousand. At 31 December 2017 the Group had recognized provisions totalling € 909 thousand, of which € 407 thousand relating to the corporate reorganisation process started by Sicura S.p.A. and fully used during the year under review.

Provision for tax disputes

The changes in business combinations (€ 372 thousand) concerned Medical Device S.r.l., which was acquire during the year, also entailing uses of € 126 thousand. 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. On 18 October 2018, 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.

Other provisions for risks and charges

The provision, amounting to € 2,098 thousand at 31 December 2018, of which € 933 thousand in Rekeep S.p.A. and € 432 thousand in Sicura S.p.A., related to the reorganisation of the company structure, which also involved the sales network, which entailed uses of € 1,040 thousand and additional provisions against future charges of € 288 thousand during the year.

15. DERIVATIVES

At 31 December 2018, the Group did not record any derivative assets or liabilities.

16. 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.

The tables below set forth the qualitative breakdown by current and non-current financial liabilities at 31 December 2018 and at 31 December 2017.

	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 expense	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	0	0
TOTAL FINANCIAL LIABILITIES	**399,053**	**37,366**	**358,799**	**2,888**

	31 December 2017	within 1 year	from 1 year to 5 years	after 5 years
C.C.F.S. loan	5,000		5,000	
Prepaid interest expenses	(1,024)	(316)	(708)	
Accrued interest expense	230	230		

	31 December 2017	within 1 year	from 1 year to 5 years	after 5 years
Long-term bank borrowings and current portion of long-term bank borrowings	**4,206**	**(86)**	**4,292**	**0**
Proceeds Loan from CMF S.p.A.	168,562	704	167,858	
Current account overdrafts, advance payments and hot money	6,000	6,000		
Finance lease obligations	3,622	491	1,362	1,769
Loans from syndicated shareholders	369	369		
Loan from parent company Manutencoop Società Cooperativa	225	225		
Other financial liabilities	13	13		
Obligations from assignments with recourse	29,999	29,999		
Due to factoring agencies	4,902	4,902		
Debt for the acquisition of investments/business unit	66	66		
Share capital to be paid into investee companies	482	482		
TOTAL FINANCIAL LIABILITIES	**218,446**	**43,165**	**173,512**	**1,769**

Senior Secured Notes (Rekeep S.p.A.)

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.

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. This bond issue was initially deposited by Bank of New York in escrow account, until the release of the same on 13 October 2017. 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..

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 simultaneous repayment of the Proceeds Loan (amounting to € 174,220 thousand upon the merger) and 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 15.

In consideration of this transaction, the Parent Company Rekeep S.p.A. stated the debt for the Senior Secured Notes at a book value of € 344,871 thousand, against a debt on account of principal of € 360,000 thousand, net of the adjustment relating to the amortised cost for € 15,129 thousand. Furthermore, the year saw the recognition of financial costs for amortised cost in accordance with IFRS9 for € 1,604 thousand, as well as of financial costs for interest accrued in the year, equal to € 16,200 thousand. The year also saw the due payment of the coupons on 15 June 2018 (on the part of CMF S.p.A.) and on 15 December 2018.

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.

Proceeds Loan (Rekeep S.p.A.)

At the same time as the bond issue, CMF S.p.A. granted, in the last quarter of 2017, an intercompany loan to Rekeep S.p.A. (Proceeds Loan) in a nominal amount of € 190,300 thousand.

The Proceeds Loan has now been repaid following the above-mentioned merger of CMF S.p.A. by incorporation into Rekeep S.p.A. with effect from 1 July 2018. On that date the residual book value of the Proceeds Loan amounted to € 166,899 thousand, against a debt on account of principal of € 174,220 thousand (following partial repayments that took place in December 2017 and June 2018), net of the adjustment relating to the amortised cost for € 7,321 thousand.

In consideration of this Proceeds Loan, the Parent Company also sustained additional costs for the issue in an initial total amount of € 9,121 thousand, charged back by CMF S.p.A. in proportion to the proceeds reserved for it (equal to 52.86% of total issue), accounted for according to the amortised cost, which gave rise to amortisation costs of € 810 thousand and payment of interest for € 7,869 thousand in 2018.

Super Senior Revolving Credit Facility (RCF)

At the same time as the bond issue, the controlling company CMF S.p.A. also entered, as the Parent Company, into a Super Senior Revolving loan agreement with Unicredit Bank AG (RCF), to which Rekeep S.p.A. was a party as Borrower. As from the effective date of the merger of CMF S.p.A. by incorporation into its subsidiary Rekeep S.p.A., the latter acquired the ownership of the line of credit under consideration.

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 recognised 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 financial expense

At 31 December 2018 the Group recognised prepaid interest expenses of € 1,125 thousand.

Then CMF S.p.A. charged back all the costs concerning this financing back to the Parent Company Rekeep S.p.A. (equal to € 1,000 thousand upon issue), which were also amortised on a straight-line basis throughout the term of the credit facility. This amortisation affected the 2018 financial year for € 240 thousand and the residual amount of these costs constituted a prepaid expense of € 708 thousand at the reporting date of the Consolidated Financial Statements.

Accrued interest expense

At 31 December 2018 the Group also recognised accrued interest expense for € 1,700 thousand, of which € 1,440 thousand relating to the amount accrued on the coupon of the Senior Secured Notes due 15 June 2019.

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-amortisation period of 12 months This loan is backed by a pledge on the shares of subsidiary H2H Facility Solutions S.p.A..

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-amortisation 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.

Other bank loans

Other loans amounted to € 778 thousand at 31 December 2018, relating to an amount of € 668 thousand for a loan initially entered into by Rekeep S.p.A. with Deutsche Bank S.p.A. for an amount of € 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%. Furthermore note bank loans for lower amounts relating to subsidiary Medical Device S.r.l. (€ 111 thousand at 31 December 2018, of which € 72 thousand relating to a loan for the purchase of capital goods which benefits from the grants provided for under the Sabatini Act).

Current account overdraft, advance payments and hot money

At 31 December 2018 this item showed a balance of € 5,247 thousand, against an amount of € 6,000 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.

Obligations arising from finance lease

The lease agreements entered into are not secured and refer to the companies Servizi Ospedalieri S.p.A., Sicura S.p.A., the Turkish subsidiary EOS and Medical Device S.r.l.. 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.

As a result of the business combinations that took place during 2018, a finance lease debt was consolidated for € 401 thousand, of which an amount of € 52 thousand relating to EOS and to capital goods used in Turkey and an amount of € 349 thousand relating to capital goods and a property granted under a lease to Medical Device S.r.l..

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. The balance of this item, equal to € 1,217 thousand, increased by € 848 thousand compared to 31 December 2017, as a result of the allocation of the shareholder loan to subsidiaries Elene Project S.r.l. (€ 351 thousand) and Energy Saving Valsamoggia S.r.l. (€ 296 thousand) during the year, as well as of payables to minority quotaholders of Medical Device S.r.l. (€ 190 thousand).

Due to factoring agencies

This item includes receipts from customers on receivables assigned within the factoring of trade receivables without recourse, in relation to which the Parent Company Rekeep performs the collection service. The amounts collected (equal to € 9,934 thousand at 31 December 2018) were transferred to the factor in the first days of the month after the end of the financial year.

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 2018 assignments with recourse were made with regard to trade receivables at a nominal value of receivables of € 62,677 thousand. At 31 December 2018 the Group showed obligations arising from assignments with recourse of receivables equal to € 18,379 thousand (€ 29,999 thousand at 31 December 2017).

Options on subsidiaries' minority shareholdings

The options on subsidiaries' minority shareholdings were recognised for an amount of € 214 thousand at 31 December in relation to the estimated liability linked to the Put option held by the minorities of 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.

Share capital to be paid into investee companies

The Group recognized liabilities for capital contribution still to be paid to the Integra Consortium for € 482 thousand at 31 December 2017, which was paid in full during 2018.

Debt for the acquisition of investments/business units

This item amounted to € 756 thousand at 31 December 2018 and mainly related to the remaining amount of the 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. (€ 690 thousand).

17. TRADE PAYABLES, CONTRACT LIABILITIES AND OTHER CURRENT PAYABLES

The table below sets forth the breakdown of the item at 31 December 2018 and 31 December 2017:

	31 December 2018	of which to related parties	31 December 2017	of which to related parties
Trade payables	360,959		340,362	
Trade payables to third parties	**360,959**	**0**	**340,362**	**0**
Trade payables to Manutencoop Società Cooperativa	9,026	9,026	12,450	12,450
Trade payables to associates and joint ventures	11,603	11,603	26,069	26,069
Trade payables to the Group	**20,629**	**20,629**	**38,519**	**38,519**
Contract liabilities	18,014	98	14,141	0
TRADE PAYABLES AND CONTRACT LIABILITIES	**399,602**	**20,727**	**393,022**	**38,519**
Fees due to directors and statutory auditors	306		531	
Tax payables	9,925		9,323	
Payables to social security institutions within 12 months	9,895		9,823	
Other payables to TJA	10,019		6,824	
Payables to employees within 12 months	47,820		48,974	
Other payables within 12 months	9,054		14,643	
Property collection on behalf of customers	2,176		2,176	
Other current operating payables to third parties	**89,195**	0	**92,294**	**0**
Other current payables to Manutencoop Società Cooperativa	28	28	42	42
Other payables to associates and joint ventures	2	2	(10)	(10)
Other current operating payables to Group	**30**	**30**	**32**	**32**
Accrued expenses	9		8	

	31 December 2018	of which to related parties	31 December 2017	of which to related parties
Deferred income	1,126		1,081	
Accrued expenses and deferred income	**1,135**	**0**	**1,089**	**0**
OTHER CURRENT LIABILITIES	**90,360**	**30**	**93,415**	**32**

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.

Trade payables and contract liabilities recorded an overall increase of € 6,580 thousand which are mainly contributed to by trade payables to third parties for € 20,597 thousand, partially offset by a decline in the debt exposure to other Group companies, equal to € 17,890 thousand (for more details on trade payables to the Group, reference should be made to Annex III, Related-party Transactions).

Other current liabilities showed a balance of € 90,360 thousand at 31 December 2018 (€ 93,415 thousand at 31 December 2017) and are mainly made up of the following items:

- payables to employees of € 47,820 thousand (€ 48,974 thousand at 31 December 2017) including the current monthly salaries to be paid in the months after the end of the year, 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 € 9,895 thousand (€ 9,823 thousand at 31 December 2017);
- payables to tax authorities for € 9,925 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 (€ 9,323 thousand at 31 December 2017);
- receipts on behalf of Temporary Associations of Companies (ATI) for € 10,019 thousand, which relate to the amounts collected by the Group, on behalf of third parties, mostly relating to job orders under "CONSIP" agreements (€ 6,824 thousand at 31 December 2017);
- Finally, "*Other payables within 12 months*", equal to € 9,054 thousand at 31 December 2018, mainly include the payable related to the Competition Authority fine of € 4,417 thousand following the dismissal by the Lazio Regional Administrative Court of the request for suspension of the payment made by Rekeep S.p.A. (for further details, refer to the previous note 14). Moreover, the Competition Authority intervened with measure of 28 April 2017 by allowing to pay the fine in 30 monthly instalments at the legal interest rate of currently 0.1%. Rekeep S.p.A. also proceeded with the due payment of monthly instalments.

18. REVENUE FROM CONTRACTS WITH CUSTOMERS

The table below sets forth the breakdown of the item for the years ended 31 December 2018 and 31 December 2017:

	For the year ended	
	31 December 2018	31 December 2017
Revenues from product sales	17,440	11,107
Service revenues	810,988	785,370
Revenues from construction activities and plant installation	79,465	79,923
Other sales revenues	35,847	39,727
REVENUE FROM CONTRACT WITH CUSTOMERS	**943,740**	**916.127**

At 31 December 2018 *Revenue from contracts with customers* amounted to € 943,740 thousand (€ 916,127 thousand at 31 December 2017).

The item increased by € 27,613 thousand, which was particularly contributed to by the Healthcare sector, due to new orders.

19. OTHER REVENUES

The table below sets forth the breakdown of the item for the years ended 31 December 2018 and 31 December 2017:

	For the year ended	
	31 December 2018	31 December 2017
Grants	605	819
Asset capital gains	161	313
Recovery of costs - seconded personnel	204	275
Compensation for damages	4,469	320
Revenues for leases and rentals	16	32
Other revenues	687	205
OTHER REVENUES	**6,142**	**1,964**

At 31 December 2018 the balance of *Other revenues* amounted to € 6,142 thousand compared to € 1,964 thousand in 2017, showing an increase of € 4,178 thousand.

The 2018 financial year saw the recognition of proceeds from compensation for damages from third parties.

On 23 November 2018 Consip S.p.A. paid Rekeep S.p.A. an amount of € 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. This amount was entirely recognised in the income statement for the 2018 financial year. 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. On 23 December 2013, the Appellate Court granted the appeal and, on the assumption that these associations should have been excluded, annulled the award of contracts for the aforementioned Lots. On 23 January 2014, after having been formally asked to comply with said ruling, Consip S.p.A. instead decided to proceed, against Manutencoop Facility Management S.p.A., to establish whether the aforesaid associations that had been the winning bidders met the reference requirements and, if so, to award the contracts for the Lots being disputed to these associations once again, while also denying our Company's right to get first place in the ranking of the tender. The Company therefore filed an appeal for compliance, which was accepted in full by the Council of State by a judgment issued on 1 April 2015, which established that Consip S.p.A. had clearly circumvented the 2013 ruling and that the actions it had taken subsequently were null and void, in addition to the applicant's right to take over the Agreement. Furthermore, the judgment also ordered Consip S.p.A. to pay compensation for any damage suffered, which was set, as regards the loss of profits, at a percentage of 3% of the value of each individual Lot and therefore amounting to € 2,100 thousand for Lot 3 and € 2,085 thousand for Lot 6, with monetary revaluation of the claim. This judgment, which was served on and executed against Consip S.p.A. on 17 April 2015, has never been complied with, nor has the Company ever been allowed to effectively take over the execution of the work referred to in these lots. Consip S.p.A. subsequently filed appeals for revocation and recourse with the Supreme Court, which were both rejected on 22 January 2018 and 29 March 2017, respectively. Finally, on 27 September 2018 Rekeep S.p.A. filed an appeal for compliance against Consip S.p.A. to seek payment of the sums due (in addition to interest and additional charges) and the appointment of an *ad acta* commissioner who should proceed to execute the 2015 judgment in the event of the unsuccessful expiry of the time limits granted to Consip S.p.A.. Given the above-mentioned payment of the sums due, the Council of State formally declared the dispute settled on 13 December 2018.

20. COSTS OF RAW MATERIALS AND CONSUMABLES

The breakdown of the item is shown below for the years ended 31 December 2018 and 31 December 2017:

	For the year ended	
	31 December 2018	31 December 2017
Fuel consumption	52,535	45,022

	For the year ended	
	31 December 2018	31 December 2017
Consumption of raw materials	67,803	57,887
Purchase of semi-finished/finished products	1,711	298
Purchase of auxiliary materials and consumables	13,358	13,897
Packaging	1,875	1,898
Change in inventories of fuel and raw materials	(285)	(1,675)
Other purchases	3,147	2,415
CONSUMPTION OF RAW MATERIALS AND CONSUMABLES	**140,144**	**119,742**

At 31 December 2018 the item amounted to € 140,144 thousand compared to € 119,742 thousand at 31 December 2017. The increase, equal to € 20,402 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.

21. COSTS FOR SERVICES AND USE OF THIRD PARTY ASSETS

The breakdown of the item is shown below for the years ended 31 December 2018 and 31 December 2017:

	For the year ended	
	31 December 2018	31 December 2017
Third-party services	219,686	221,594
Consortia services	6,062	10,754
Equipment maintenance and repair	7,926	7,244
Professional services	38,976	39,238
Statutory Auditors' fees	321	307
Transport	7,846	7,870
Advertising and promotion	992	241
Bonuses and commissions	2,079	2,201
Insurance and sureties	5,421	4,474
Bank services	318	290
Utilities	6,828	6,860
Travel expenses and reimbursement of expenses	4,421	3,956
Employee services	6,866	6,749

	For the year ended	
	31 December 2018	31 December 2017
Other services and contingent items	(491)	(828)
Costs for services	307,251	310,950
Rent expense	13,061	13,075
Rentals and other	4,946	4,233
Costs for leased assets	18,007	17,308
COSTS FOR SERVICES AND USE OF THIRD PARTY ASSETS	**325,258**	**328,258**

For the year ended 31 December 2018 *Costs for services and use of third party assets* totalled € 325,258 thousand, marking a decrease of € 3,000 thousand compared to the previous year, mainly due to lower costs for consortia and professional services. Specifically, with reference to the services rendered by consortia, note a reduction in the costs charged back to subsidiary Servizi Ospedalieri S.p.A. following the winding-up of a consortium that was not consolidated during the year.

During 2017 non-recurring costs for professional services incurred by the Parent Company Rekeep S.p.A. were recognised against the early redemption of the Senior Secured Notes issued in 2013, as were costs for consultancy advice relating to the Proceeds Loan granted by CMF S.p.A. for a total of € 4,332 thousand.

During 2018 the Parent Company Rekeep S.p.A and subsidiary H2H Facility Solutions S.p.A. started additional 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 2018. As early as in 2017, Rekeep S.p.A and H2H Facility Solutions S.p.A., in addition to e-Digital Services S.r.l. and Yougenio S.r.l., had started various R&D projects having the same key features. 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 € 712 thousand among "*Other costs for services*". The tax credits for 2017, which amounted to € 1,079 thousand, have been used in full to offset the payment of a tax debt during 2018.

Finally, as early as in previous years, the Group changed the mix of production factors in the performance of certain activities, with a change in favour of the cost of labour, as described in detail under note 22 below.

22. PERSONNEL COSTS

The breakdown of the item is shown below for the years ended 31 December 2018 and 31 December 2017:

	For the year ended	
	31 December 2018	31 December 2017
Wages and salaries	258,204	250,768
Social security charges	81,471	77,801
Secondment costs	32,645	30,426
ESI paid to INPS (National Social Security Institute) and to funds	14,635	14,539
Directors' fees	1,655	1,193
Other personnel costs	1,170	1,857
Current benefits	**389,780**	**376,584**
Employee termination indemnity provision	1,073	935
Subsequent benefits	**1,073**	**935**
Employment termination benefits	1,695	4,619
Employment termination benefits	**1,695**	**4,619**
PERSONNEL COSTS	**392,548**	**382,138**

Al 31 dicembre 2018, Personnel Costs, equal to € 392,548 thousand, showed an increase of € 10,410 thousand compared to the previous year (when they amounted to € 382,138 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 144% at 31 December 2018 against 141% at 31 December 2017. 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.

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 € 2,954 thousand. This item included costs linked to a non-recurring bonus disbursed to employees in relation to the complex reorganisation process of the Manutencoop Società Cooperativa Group for € 3,809 thousand at 31 December 2017.

23. OTHER OPERATING COSTS

The breakdown of the item is shown below for the years ended 31 December 2018 and 31 December 2017:

	For the year ended	
	31 December 2018	31 December 2017
Capital losses on disposals of assets	25	19
Other taxes	1,648	2,277
Fines and penalties	1,752	1,341
Credit Discount on assignments of receivables	36	0
Other operating costs and contingent items	3,199	(3,356)
OTHER OPERATING COSTS	**6,660**	**281**

Other operating costs amounted to € 6,660 thousand, showing an increase of € 6,379 thousand compared to the previous year (€281 thousand at 31 December 2017).

It should be recalled that at 31 December 2017 "*Other operating costs and contingent items*" included the contingent asset relating to costs for "*Oneri di Sistema*" charges allocated in previous years for € 6,152 thousand.

This item did not report any significant change, net of this non-recurring benefit, compared to the previous year.

24. AMORTIZATION/DEPRECIATION, WRITE-DOWNS AND WRITE-BACKS OF ASSETS

The breakdown of the item is shown below for the years ended 31 December 2018 and 31 December 2017:

	For the year ended	
	31 December 2018	31 December 2017
Amortisation of intangible assets	7,539	7,446
Depreciation of property, plant and equipment	20,261	19,317
Write-downs of receivable, net of releases	2,982	3,200
Other write-downs	340	317
AMORTIZATION/DEPRECIATION, WRITE-DOWNS AND WRITE-BACKS OF ASSETS	**31,122**	**30,280**

At 31 December 2018 the item *Amortization/depreciation, write-downs and write-backs of assets* amounted to € 31,122 thousand compared to € 30,280 thousand at 31 December 2017. The changes that were reported in the breakdown of the item entailed an overall increase in the charges recognised compared to the balance recorded at 31 December 2017, equal to € 842 thousand. Specifically note the following:

- an increase in amortization/depreciation for a total of € 1,037 thousand, mainly attributable to property, plant and equipment;
- a decrease in the write-downs of receivables made for € 218 thousand during the year;
- an increase in other write-downs, mainly concerning non-trade receivables for € 23 thousand.

25. DIVIDENDS, INCOME AND LOSSES FROM INVESTMENTS

The breakdown of the item is shown below for the years ended 31 December 2018 and 31 December 2017:

	For the year ended	
	31 December 2018	31 December 2017
Dividends	628	175
Capital gains (capital losses) from sale of equity investments	(1,471)	0
DIVIDENDS, INCOME AND LOSSES FROM INVESTMENTS	**(843)**	**175**

In 2018, dividends were collected from other companies not included under the scope of consolidation. They amounted to € 628 thousand, € 291 thousand of which from investee companies of the Parent Company Rekeep S.p.A., € 79 thousand from investee companies of Servizi Ospedalieri S.p.A. and € 258 thousand collected from the transferred holding company MFM Capital S.r.l..

Capital gains (capital losses) from sale of equity investments included, in 2018, the difference between the book value of equity investments stated in the consolidated Financial Statements and the consideration obtained from the transfer of interests in subsidiaries, associates and other investees previously held by Rekeep S.p.A. to third parties. Specifically:

- on 20 July 2018 the Parent Company transferred 31.98% of the share capital of Progetto ISOM S.p.A. to Sinloc – Sistema Iniziative Locali S.p.A., formerly the shareholder of the company, for a consideration totalling € 6,052 thousand, which was collected in full upon the closing;
- on 28 December 2018 Rekeep S.p.A. transferred a quota of 95% of the capital held in MFM Capital S.r.l. to 3i European Operational Projects SCSp, following the transfer to it of the major investments in the project finance and service concession companies, i.e. Synchron Nuovo San Gerardo S.p.A., Arena Sanità S.p.A., Genesi Uno S.p.A., Sesamo S.p.A., Terza Torre S.p.A. and Alessandria Project Value S.r.l.. The transfer took place for a consideration of € 9,137

thousand, which was collected in full, in addition to a deferred price of € 5,007 thousand. Finally, upon the fulfilment of some conditions, an Earn-out will be paid for an amount of up to € 2,000 thousand (not yet stated in comprehensive income).

The net capital loss reported in the Consolidated Financial Statements arose from consolidation adjustments allocated to some project finance companies for which the consolidated value was different from the carrying amount at which they had been stated in the statutory Financial Statements of Rekeep S.p.A. (recognised at historical acquisition costs), showing on the contrary a net capital gain.

26. FINANCIAL INCOME

The breakdown of the item is shown below for the years ended 31 December 2018 and 31 December 2017:

	For the year ended	
	31 December 2018	31 December 2017
Interest on bank current accounts	80	13
Interest on non-proprietary and intercompany current accounts	319	515
Interest on trade receivables	923	3.154
Interest from discounting of non-interest bearing loans	63	3
Other financial income	212	77
FINANCIAL INCOME	**1,597**	**3,762**

Financial income recorded a decrease compared to the previous year, equal to € 2,165 thousand. The main change in the item related to the recognition of default interest payable by a customer in the public sector following an in-court settlement ruling for € 2,476 thousand in 2017.

27. FINANCIAL COSTS

The breakdown of the item is shown below for the years ended 31 December 2018 and 31 December 2017:

	For the year ended	
	31 December 2018	31 December 2017

	For the year ended	
	31 December 2018	31 December 2017
Financial charges on other loans	17,083	22,802
Financial costs for finance leases	138	125
Financial costs on intercompany loans	8,890	4,794
Interest discount on assignments of receivables without recourse	3,021	1,869
Interest on trade payables	622	126
Other financial costs	3,790	13,409
FINANCIAL COSTS	**33,544**	**43,125**

In 2018 *Financial costs* recorded a decrease of € 9,581 thousand compared to the previous year.

In 2017 there was in fact the recognition of non-recurring financial costs arising from the Refinancing of the Manutencoop Group, which led the Parent Company Rekeep S.p.A. to make an early redemption of the Senior Secured Notes bond issue, which had been launched in 2013, initially due 2020 and with a six-monthly coupon of 8.5%, and to obtain an intercompany loan (Proceeds Loan) in a nominal amount of € 190.3 million from its direct controlling company CMF S.p.A.; in 2017 the latter launched a new Senior Secured Notes bond in a nominal amount of € 360 million, below par (at 98%), due 2022 and with a six-monthly coupon of 9%. CMF S.p.A. was merged by incorporation into its subsidiary Rekeep S.p.A. with statutory, accounting and tax effects from 1 July 2018. Therefore, the Proceeds Loan was repaid and the title to the Senior Secured Notes bond was transferred to Rekeep S.p.A. as from that date. The effects of these changes are analysed below for each item.

Financial charges on other loans include financial costs on the coupons of the Notes, which accrued as from the date of merger, for a total amount of € 16,200 thousand. In 2017, instead, the Notes repaid had accrued financial costs on coupons for € 22,134 thousand until the date of redemption, including non-recurring charges arising from negative interest accrued with respect to the repayment of the capital quota to bondholders, equal to € 105 thousand.

Financial costs on intercompany loans also include 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 (against € 3,643 thousand recognised in 2017).

Other financial income included financial charges for amortised cost incurred in 2018 for € 1,604 thousand against € 5,352 thousand in 2017 in relation to the Notes repaid and including the reversal, through profit or loss, of the remaining amount of additional charges for the issue following the redemption. The previous year had been adversely affected by non-recurring charges relating to the early redemption of the Notes repaid for a total of € 6,375 thousand.

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 amortised cost. This entailed the recognition of costs (up to the date of merger) amounting to € 810 thousand in 2018, while they amounted to € 990 thousand in 2017.

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 amortised 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 amortisation charges of € 240 thousand against an amount of € 52 thousand accounted for in 2017.

The Group finally recorded charges correlated to the assignments of receivables without recourse made during the year for € 3,021 thousand at 31 December 2018 (€ 1,869 thousand at 31 December 2017).

28. CURRENT, PREPAID AND DEFERRED TAXES

The breakdown of the item is shown below for the years ended 31 December 2018 and 31 December 2017:

	For the year ended	
	31 December 2018	31 December 2017
Current IRES tax	10,849	9,621
Current IRAP tax	4,206	4,064
(Income) costs from tax consolidation	(7,726)	(1,857)
Adjustments to current taxes of previous years	(838)	(878)
Current taxes	**6,491**	**10,950**
Prepaid/deferred IRES tax	1,861	4,756
Prepaid/deferred IRAP tax	181	272
Prepaid/deferred taxes relating to previous years	(107)	32
Prepaid/deferred taxes	**1,935**	**5,060**
CURRENT, PREPAID AND DEFERRED TAXES	**8,426**	**16,010**

In 2018 the Group recorded taxes totalling € 8,426 thousand, marking a decrease of € 7,584 thousand compared to the taxes recognised at 31 December 2017.

More specifically, the main changes are as follows :

- an increase of € 1,228 thousand in the current IRES tax balance;
- an increase of € 142 thousand in the current IRAP tax balance;
- an increase of € 5,869 thousand in the balance of income from tax consolidation;
- positive adjustments to current taxes relating to previous years for € 838 thousand;

› the recognition of a net charge of € 1,935 thousand, relating to the total balance of prepaid and deferred taxes, with a decrease of € 3,125 thousand compared to the previous year, given the partial write-off of deferred tax assets stated among non-deductible financial costs in 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).

Finally, it should be noted that lower current IRES and IRAP tax was recognised for € 6.1 million 2018, following the submission of the supplementary returns of Forms Unico SC 2014 - 2018.

At 31 December 2018 the Group recognised Current tax receivables for a total amount of € 14,635 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 € 954 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 2018 and 31 December 2017 to pre-tax profit is as follows:

	31 December2018		31 December 2017	
		%		%
PRE-TAX PROFIT	**24,269**		**16,725**	
Taxes calculated at the rate applicable in Italy - IRES tax	10,849		9,621	
(Income) costs from national tax consolidation	(7,726)		(1,857)	
Taxes calculated at the rate applicable in Italy – IRAP tax	4,206		4,064	
Taxes calculated at the rate applicable abroad	0		0	
Taxes for previous years	(837)		(878)	
EFFECTIVE TAX / RATE	**6,491**	**26.75%**	**10,949**	**65.47%**

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 2018 the Group recorded deferred tax assets of € 15,017 thousand, net of deferred tax liabilities of € 14,525 thousand, as shown below:

			Tax effect on the balance sheet	Tax effect through P&L	Tax effect on equity
	31 December 2017	of which Business Combinations	31 December 2018	31 December 2018	31 December 2018
Deferred tax asstes:					
Expected credit losses	5,979		5,890	(89)	
Provisions for risks and charges	3,699	23	2,921	(801)	
Amortisation	1,200		1,095	(105)	
Interest expense	3,552		3,167	(385)	
Cash cost deduction	39	336	27	(347)	
Other consolidation adjustments	452		961	509	
Other temporary adjustments	1,463	55	955	(558)	
Foreign exchange effect					(5)
Total prepaid taxes	**16,383**	**414**	**15,017**	**(1,776)**	**(5)**
Deferred tax liabilities:					
Goodwill amortisation	(10,110)		(10,610)	(500)	
Purchase Price Allocation	(1,739)		(1,672)	67	
Cash cost deduction	(137)	(2,116)	(1,927)	326	
Employee benefit discounting	(5)		3	(36)	(1)
Other consolidation adjustments	(302)		(319)	(15)	(2)
Total deferred taxes	**(12,294)**	**(2,116)**	**(14,525)**	**(159)**	**(3)**
NET PREPAID/(DEFERRED) TAXES	**4,090**	**(1,702)**	**493**	**(1,935)**	**(8)**

29. 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 2018	31 December 2017
Net profit attributable to shareholders (in thousands of Euro)	15,734	642
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)	**0.144**	**0.006**

	For the year ended	
	31 December 2018	31 December 2017
Net earnings from continuing operations (in thousands of Euro)	15,843	715
Net profit /(loss) from continuing operations pertaining to minority interests (in thousands of Euro)	(109)	(73)
Net profit from continuing operations pertaining to the Group (in thousands of Euro)	15,734	642
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)	**0.144**	**0.006**

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

In 2018 the Parent Company did not distribute dividends on the profits accrued at 31 December 2017.

30. 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 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**
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**
Amortisation/depreciation and write-downs of segment assets	13,336	17,785	**31,122**

Information on the operating segments for the financial year ended 31 December 2017

	Facility management	Laundering & Sterilization	Eliminations	Total
Segment revenues	790,346	130,515	(2,770)	918,091
Segment costs	(748,963)	(113,714)	2,770	(859,907)
Operating income (loss) by segment	**41,383**	**16,801**	**0**	**58,184**
Share of net profit of associates	(2,319)	374		(1,945)
Net financial income (costs)				(39,514)
Profit (loss) before taxes				**16,725**
Income taxes				(16,010)
NET PROFIT (LOSS) FOR THE YEAR ENDED 31 DECEMBERT 2017				**715**

	Facility management	Laundering & Sterilization	Eliminations	Total
Assets allocated to the segment	447,605	116,856	(1,885)	562,576
Goodwill	358,600	11,763		370,363
Investments	25,761	6,290		33,160
Other assets not allocated and related taxes				101,235
SEGMENT ASSETS AT 31 DECEMBER 2017	**831,966**	**134,910**	**(1,885)**	**1,066,225**
Liabilities allocated to the segment	480,629	57,549	(1,885)	536,293
Other liabilities not allocated and related taxes				231,151
SEGMENT LIABILITIES AT 31 DECEMBER 2017	**480,629**	**57,549**	**(1,885)**	**767,444**

	Facility management	Laundering & Sterilization	Total
OTHER SEGMENT INFORMATION AT 31 DECEMBER 2017			
Investments in segment assets	9,915	21,634	**31,549**
Amortisation/depreciation and write-downs of segment assets	13,759	16,522	**30,280**

Geographical areas

The Group conducts its core business in Italy. At 31 December 2018 the activities conducted abroad were entirely marginal for the Group and generated revenues amounting to € 6,753 thousand (€ 1,112 thousand at 31 December 2017).

The information by geographical area required by IFRS 8 is shown below for the years ended 31 December 2018 and 2017.

	Italy	Foreign countries	Eliminations	Total
INFORMATION BY GEOGRAPHICAL AREA AT 31 DECEMBER 2018				
Revenues	943,128	6,753		**949,882**
Non-current operating assets	508,459	1,669		**510,128**

	Italy	Foreign countries	Eliminations	Total
INFORMATION BY GEOGRAPHICAL AREA AT 31 DECEMBER 2017				
Revenues	916,979	1,112		**918,091**
Non-current operating assets	469,870	3		**469,873**

31. COMMITMENTS AND CONTINGENT LIABILITIES

Financial lease

The Group signed financial lease agreements primarily for plant and equipment used in the production processes of the Laundering & Sterilization SBU and for motor vehicles.

The table below details the amount of future rental fees deriving from financial leases and the current value of these fees:

	31 December 2018		31 December 2017	
	Rental fees	Present value of rental fees	Rental fees	Present value of rental fees
Within one year	497	387	507	388
From one year to five years	1,735	1,668	1,841	1,689
After five years	2,132	1,523	2,132	1,590

	31 December 2018		31 December 2017	
	Rental fees	Present value of rental fees	Rental fees	Present value of rental fees
TOTAL LEASE FEES	**4,364**	**3,577**	**4,479**	**3,667**
Financial costs	(786)		(813)	
PRESENT VALUE OF LEASE FEES	**3,577**	**3,577**	**3,667**	**3,667**

At 31 December 2018 the Group granted sureties to third parties for:

- guarantees against financial obligations amounting to € 18,909 thousand (€ 11,037 thousand compared to 31 December 2017), of which € 3,504 thousand issued in the interest of associates for bank overdrafts and other financial obligations (€ 4,425 thousand at 31 December 2017);
- sureties granted to third parties to ensure the correct fulfilment of contract obligations in place with customers amounting to € 281,594 thousand (31 December 2017: € 234,241 thousand), of which € 1 thousand issued in the interest of associates;
- other guarantees granted by third parties in favour of associates, joint ventures and other equity investments for € 12,305 thousand (€ 10,014 thousand at 31 December 2017);
- 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 € 25,551 thousand (31 December 2017: € 5,040 thousand).

Guarantees arising from the Senior Secured Notes bond issue launched by controlling company CMF S.p.A. in 2017 and from the Super Senior Revolving loan agreement with Unicredit Bank A.G.

The controlling company 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. In this context the Parent Company Rekeep S.p.A. benefitted from a Proceeds Loan for a nominal amount of € 190.3 million, bearing interest at a rate equal to that of the bond issue.

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 were initially backed mainly by the following collateral provided on 13 October 2017 *pro indiviso* in favour of bond and bank creditors:

- a first-degree pledge over the total shares of Rekeep S.p.A.;

- an assignment, by way of security, involving receivables arising from the abovementioned Proceeds Loan, which was partially repaid during the fourth quarter of 2017 and then during the first nine months of 2018 in order to allow CMF to pay the interest coupons and finally repaid following the merger.

After the completion of the merger, a first pledge remained on the total shares of Rekeep S.p.A., paid by the controlling company Manutencoop Società Cooperativa. Furthermore, the following additional guarantees have been recognised:

- 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 2018 no events of default had occurred.

Contingent liabilities

As at the date of approval of the Interim Report on Operations at 31 December 2018 contingent liabilities had arisen for the Rekeep Group which had not been recognised in the accounts, for which the Management believes that the related financial risks can be regarded as possible but unlikely.

Compensation for damages for the fire that occurred in the former Olivetti area at Scarmagno (Turin)

On 19 March 2013 a fire occurred in the former Olivetti area at Scarmagno (Turin) which also involved, as potential indirectly liable persons, three former employees of the Company. For this reason Rekeep S.p.A., as the employer of two of the accused persons, is objectively liable in civil law for the offences of negligent fire and violation of safety regulations. The Court of Ivrea pronounced in first instance of 24 February 2017, with a judgment which acquitted the accused on the grounds that they "had not committed the offence". This judgment is currently the object of an appeal that was filed by the Public Prosecutor and by the aggrieved parties in civil proceedings Prelios SGR, Telecom Italia S.p.A. and Olivetti S.p.A. in July 2017; we are waiting for the hearing to be scheduled before the Court of Appeal of Turin.

In relation to the accident caused by this fire, the insurance companies paid the injured parties damages for more than € 38 million, for which they subsequently formalised recourse actions against the natural persons concerned and their employers, including Rekeep S.p.A.. The overall claim for damages was equal to over € 50 million, including claims for damages submitted by the owners of the properties concerned and the above-mentioned insurance company's recourse actions. On the other hand, on 24 February 2017 Rekeep S.p.A. and the other persons involved were served a summons by AIG Europe Limited (one of the insurance companies party to the action) in order to obtain, by way of subrogation, what had been already paid to Telesystem Electronics S.r.l (owner of the goods stored at the factory of Scarmagno) for a value of € 187 thousand.

As part of the above proceedings, Generali Assicurazioni voluntarily appeared before the court as well by making a similar claim for more than € 33 million on account of recourse for indemnities it had paid in favour of Celltel S.p.A (now Fallimento Telis S.r.l), Innovis S.p.A, the Telecom Group, RTI S.p.A, in addition to costs for technical assessments ordered by Generali prior to the case. The proceedings before the Court of Milan are still pending, with an additional hearing scheduled on 13 March 2019. In the meanwhile, the parties started negotiations aimed at an amicable settlement of the dispute; specifically, a settlement agreement is being prepared between Rekeep S.p.A. and Generali Assicurazioni, under which Rekeep S.p.A. undertakes (using funds provided to it by UnipolSai Assicurazioni S.p.A. as the insurance company for Liability, which has declared its willingness to enter into the agreement by signing a binding commitment) to pay Generali an overall amount of € 3,366 thousand, equal to 10% of the total sum paid by Generali to its insured parties, on account of full payment, write-off and settlement. This amount was paid by UnipolSai on behalf of Rekeep S.p.A. in three equal instalments between December 2018 and February 2019. 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. Rekeep S.p.A. and UnipolSai Assicurazioni S.p.A. also undertake to settle, by 30 November 2018, the credit positions of the co-insurers of Generali Italia S.p.A., Chubb European Group Limited (formerly ACE) and HDI Global S.E., General Representative Office in Italy (formerly HDI Gerling), at a percentage of 10% of the right claimed and through the payment of amounts of € 125 thousand and € 63 thousand, respectively. UnipolSai paid these amounts on 27 November 2018 in favour of Chubb European Group LTD and HDI Global S.E.

ANAC's order relating to the tender for 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 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. To date, the hearing before the Supreme Court has not yet been set.

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.

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.

32. 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, financial 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:

- e-Digital Services S.r.l. signed a contract with associate Roma Multiservizi S.p.A. on the basis of which it is committed to providing an Information System service. The contract makes provision for an annual consideration of € 815 thousand and will expire on 31 December 2018;
- 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 € 1,333 thousand to be paid in monthly instalments;
- The affiliate company Manutencoop Immobiliare S.p.A. leased to Sicura S.r.l. the property located in Vicenza (VI), at via Zamenhof no. 372, 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;
- The affiliate company Manutencoop Immobiliare S.p.A. 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 € 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 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 its subsidiaries for the provision of tax consultancy services;

› on 13 October 2017 Rekeep S.p.A. entered into a loan agreement named Proceeds Loan with the then sole shareholder CMF S.p.A., expiring on 15 June 2022 and bearing interest at an annual fixed rate of 9.0%, payable on a six-monthly basis on 15 June and 15 December. CMF S.p.A. was then merged by incorporation into Rekeep S.p.A. with effect from 1 July 2018. The loan was repaid following this merger.

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 these Consolidated Financial Statements.

The Rekeep Group 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:

(in thousands of Euro)	**31 December 2017**	**31 December 2016**
BALANCE SHEET		
ASSETS		
A) Subscribed capital, unpaid	76	18
B) Fixed assets	329,439	273,189
C) Current assets	28,590	27,337
D) Accrued income and prepaid expenses	1,360	1,583
TOTAL ASSETS	**359,465**	**302,127**
LIABILITIES		
A) Shareholders' equity:		
Share capital	5,950	6,350
Reserves	176,429	220,471
Profit/(Loss) for the year	107,639	(44,042)
B) Provisions for risks and charges	280	4,511
C) Employee Severance Indemnity	1,361	1,506
D) Payables	67,109	112,494
E) Accrued expenses and deferred income	697	837
TOTAL LIABILITIES	**359,465**	**302,127**
INCOME STATEMENT		
A) Value of production	36,149	35,338
B) Costs of production	(38,370)	(39,017)
C) Financial income and costs	97,369	(42,610)
D) Value adjustments to financial assets	(2,610)	(4,096)
Income taxes for the year	15,100	6,343
PROFIT/(LOSS) FOR THE YEAR	**107,639**	**(44,042)**

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 2018, as well as those paid to executives with strategic responsibilities in the Parent Company, including for roles held in other Group companies:

	31 December 2018	31 December 2017
Board of Directors		
Short-term benefits	397	608
Post-employment benefits	0	0
TOTAL BOARD OF DIRECTORS	**397**	**608**
Executives with strategic responsibilities		
Short-term benefits	3,941	5,153
Post-employment benefits	128	141
TOTAL EXECUTIVES WITH STRATEGIC RESPONSIBILITIES	**4,069**	**5,294**
Board of Statutory Auditors		
Short-term benefits	135	196
TOTAL BOARD OF STATUTORY AUDITORS	**135**	**196**

The table below reports the fees accounted for in the 2018 consolidated income statement for audit and non-audit services rendered by EY S.p.A. and by other entities in its network:

	31 December 2018	31 December 2017
Audit services	644	807
Certification services	130	54
Other services	529	73
TOTAL FEES DUE TO EY S.p.A. NETWORK COMPANIES	**1,303**	**934**

Audit services include the fees paid for the audit of annual and interim consolidated financial statements.

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.

33. 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.

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. This bond issue was initially deposited by Bank of New York in escrow account, until the release of the same on 13 October 2017. 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..

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 simultaneous repayment of the Proceeds Loan (amounting to € 174,220 thousand upon the merger) and the acquisition directly by Rekeep S.p.A. of the bond issue.

There was a change in the financial structure of the Rekeep Group as a result of the start of operations involving the corporate reorganisation and refinancing of the entire Manutencoop Group designed by Manutencoop Società Cooperativa in 2017 and of the completion of the merger of CMF S.p.A. by incorporation into Rekeep S.p.A. as from 1 July 2018.

The merger in fact 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.

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 2018 and 31 December 2017.

		Hierarchy				Hierarchy		
	31 December 2018	**Level 1**	**Level 2**	**Level 3**	**31 December 2017**	**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	**179**	179			**0**	0		

		Hierarchy				Hierarchy		
	31 December 2018	Level 1	Level 2	Level 3	31 December 2017	Level 1	Level 2	Level 3
other current financial assets								
- of which securities	**179**	179			**0**	0		
- of which hedging derivatives	**0**	0			**0**	0		
- of which non-hedging derivatives	**0**	0			**0**	0		
TOTAL FINANCIAL ASSETS	**280**	**280**			**101**	**101**		

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 2018 and 31 December 2017. During the year 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 2018:

	31 December 2018	Financial Assets at Fair value through OCI	Financial Assets at amortised 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

	31 December 2018	Financial Assets at Fair value through OCI	Financial Assets at amortised cost
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 amortised 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
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)**

The same information for the year ended 31 December 2017 is shown below:

	31 December 2017	Financial Assets at Fair value through OCI	Financial Assets at amortised cost

	31 December 2017	Financial Assets at Fair value through OCI	Financial Assets at amortised cost
NON-CURRENT FINANCIAL ASSETS			
Other investments	4,757	4,757	
Non-current financial assets	11,369		11,369
Other non-current assets	2,998		2,998
Total non-current financial assets	**19,124**	**4,757**	**14,367**
CURRENT FINANCIAL ASSETS			
Trade receivables and advances to suppliers	429,165		429,165
Current tax receivables	8,745		8,745
Other current assets	30,842		30,842
Current financial assets	1,870		1,870
Cash and cash equivalents	59,870		59,870
Total current financial assets	**530,492**	**0**	**530,492**
TOTAL FINANCIAL ASSETS	**549,616**	**4,757**	**544,859**
FINANCIAL INCOME (COSTS)	**3,937**	**175**	**3,762**

	31 December 2017	Financial Liabilities at Fair Value through profit or loss	Financial Liabilities at amortised cost
NON-CURRENT FINANCIAL LIABILITIES			
Non-current loans	175,281		175,281
Financial liabilities for non-current derivatives	0		0
Other non-current liabilities	86		86
Total non-current financial liabilities	**175,367**	**0**	**175,367**
CURRENT FINANCIAL LIABILITIES			
Trade payables and contractual liabilities	393,022		393,022
Current tax payables	326		326
Other current liabilities	93,415		93,425
Bank borrowings and other financial liabilities	43,165		43,165
Total current financial liabilities	**529,928**	**0**	**529,928**

TOTAL FINANCIAL LIABILITIES	**705,295**	**0**	**705,295**
FINANCIAL INCOME (COSTS)	**(43,125)**	**0**	**(43,125)**

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 (RCF2) 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-amortisation 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 2018	31 December 2017	31 December 2018	31 December 2017
FINANCIAL ASSETS				
Cash and cash equivalents	94,733	59,870	94,733	59,870
Receivables and other current financial assets	5,532	1,870	5,532	1,870
Other minority interests	4,905	4,757	4,905	4,757
Non-current financial receivables	5,662	11,369	5,662	11,369
FINANCIAL LIABILITIES				
Loans:				
- Variable rate loans	7,728	44,620	7,728	44,620

	Carrying Amount		Fair value	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
- Fixed rate loans	387,243	168,562	387,243	168,562
Other current financial liabilities	4,082	5,263	4,082	5,263

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 / Decreese	Effect of the profit (loss), gross of taxes
Financial year ended 31 December 2018	+ 150 bps	(1,190)

	Increase / Decreese	Effect of the profit (loss), gross of taxes
Financial year ended 31 December 2017	- 30 bps	238
	+ 150 bps	(1,260)
	- 30 bps	252

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 2018	31 December2017
Employee termination indemnity	14,730	15,519
Interest-bearing loans	394,971	175,281
Trade payables and contract liabilities	399,602	393,022
Other current payables	90,360	93,415
Other current financial payables	4,082	43,165
Cash and cash equivalents	(94,733)	(59,870)
Other current financial assets	(5,532)	(1,870)
Total Net Debt	**803,480**	**658,662**
Group shareholders' equity	164,824	298,401
Undistributed net profit (loss)	(15,734)	(642)
Total Capital	**149,090**	**297,759**

	31 December 2018	31 December2017
EQUITY AND NET DEBT	**952,570**	**956,421**
INDEBTEDNESS RATIO	**84.3%**	**68.9%**

The reverse merger of CMF S.p.A. into Rekeep S.p.A. gave rise to an increase in the debt ratio compared to 31 December 2017 since it simultaneously entailed an increase in Net Debt, totalling € 144.8 million, and a decrease in Equity, totalling € 148.7 thousand, as reported in note 3 above.

34. OTHER INFORMATION

In 2018 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 2018 financial year the Parent Company Rekeep S.p.A. and its subsidiary H2H Facility Solutions 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.

35. SUBSEQUENT EVENTS

Buy-back transactions on portions of the Senior Secured Notes

In early 2019 Rekeep S.p.A. formalised 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.

Zola Predosa, 22 March 2019

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
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
Evimed S.r.l.	Via Zamenhof 363	Vicenza	100%	Euro
e-Digital Services S.r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	100%	Euro
Elene Project S.r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	62%	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
KANARIND Soc.Cons. a r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	62.43%	Euro
Leonardo S.r.l.	Via Zamenhof 363	Vicenza	100%	Euro
Logistica Sud Est Soc.Cons. a r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	60%	Euro
Manutencoop France S.a.r.l.	4 place Louis Armand-Tour de l'Horloge	Paris	70%	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 no.52	Montevarchi (AR)	60%	Euro
MSE Soc. Cons. a r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	100%	Euro
Palmanova Servizi Energetici Soc.Cons.ar.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	60%	Euro
Protec S.r.l.	Via Zamenhof 363	Vicenza	100%	Euro
Rekeep Facility S.a.s.	52, Boulevard de Sebastopol	Paris	100%	Euro
Rekeep Rail S.r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	100%	Euro
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 33	Ferrara	100%	Euro
Servizi Sanitari Sicilia Soc.Cons. a r.l.	Via Calvino 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 363	Vicenza	100%	Euro
Telepost S.p.A.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	100%	Euro
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 48/a	frazione Roata Raffo Busca (CN)	50%	Euro
Cardarelli Soc.cons.r.l.	S.S. Appia 7 bis Km. 11,900 Zona A.s.i. Aversa Nord	Carinaro (CE)	60%	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

Name	Registered Office	City	% Held	Currency
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 68/1	Modena	100%	Euro
Bologna Gestione Patrimonio Soc.Cons. r.l. in liquidation	Via della Cooperazione 9	Bologna	27.58%	Euro
BGP2 Soc.Cons. r.l.	Via Giovanni Papini n. 18	Bologna	41.17%	Euro
Bologna Global Strade Soc.Cons. r.l.	Via Pila n. 18	Sasso Marconi (BO)	56%	Euro
Bologna Multiservizi Soc.Cons. r.l. in liquidation	Via San Silvestro n. 56	Faenza (RA)	39%	Euro
Bologna Più' Soc.Cons.r.l in liquidation	Via M.E. Lepido 182/2	Bologna	25.68%	Euro
Centro Europa Ricerche S.r.l.	Via G. Zanardelli n. 34	Rome	21.38%	Euro
Consorzio Imolese Pulizie Soc. Cons. a r.l in liquidation	Via Poiano 22	Imola (BO)	60%	Euro
Como Energia Soc.Cons. r.l. in liquidation	Via Pietro Strazzi 2	Como	30%	Euro
Consorzio Polo Sterilizzazione Integrata a r.l.	Via Facciolati 84	Padova	60%	Euro
Consorzio Sermagest Soc.Cons. a r.l. in liquidation	Via Filippo Corridoni 23	Rome	60%	Euro
F.lli Bernard S.r.l.	Stradella Aquedotto 21	Bari	20%	Euro
Gestione Strade Soc.Cons.a r.l.	Strada Manara n. 64/B	Parma	25%	Euro
Gico System S.r.l.	Via Finelli 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
GR.A.AL. SOC.CONS a r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	29.926%	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 76	Bologna	29.926%	Euro
Iniziative Produttive Piemontesi S.r.l.	Corso Einaudi 18	Turin	24.75%	Euro
Livia Soc.Cons. a r.l. in liquidation	Via Roma 57/B	Zola Predosa (BO)	34.10%	Euro
Logistica Ospedaliera Soc. Cons. a r.l	Via C. Alberto Dalla Chiesa 23/I	Caltanissetta (CL)	45%	Euro
Newco Duc Bologna S.p.A.	Via M.E. Lepido 182/2	Bologna	24.90%	Euro
Palazzo della Fonte S.c.p.a.	Via Calamandrei, 255	Arezzo (AR)	33.30%	Euro

Name	Registered Office	City	% Held	Currency
Roma Multiservizi S.p.A.	Via Tiburtina 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 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
Servizi Napoli 5 Soc.Cons. a r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	45%	Euro
Servizi Sanitari Treviso Soc.Cons.a r.l. in liquidation	Via al Molo Vecchio	Calata Gadda (GE)	40%	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 18	Torino	25%	Euro
T&M Protection Resources Holdings Italy S.p.A.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	40%	Euro
Tower Soc.Cons. a r.l. in liquidation	Via Zanardi 372	Bologna	20.17%	Euro

ANNEX II

VALUATION OF INVESTMENTS USING THE EQUITY METHOD

	%	Net Book Value 31 Dec 17	Changes of the year					Net Book Value 31 Dec 18	Book value	Provision
			Additions/ Disposals	Dividends	Share of net profit/Write-downs	Provision	Reserves			
Alisei S.r.l. in liquidation	100%	(80)				(7)		(88)	0	(87)
A.M.G. S.r.l.	50%	2.396		(124)	156			2,428	2,428	
BGP2 Soc.Cons. r.l.	41.17%	4	20					24	24	
Bologna Gestione Patrimonio Soc. Cons. a. r.l. in liquidation	27.58%	6			(6)			0	0	
Bologna Global Strade Soc. Cons. a. r.l.	56%	51	6		(1)			56	56	
Bologna Multiservizi Soc. Cons. a r.l.	39%	4						4	4	
Bologna Più Soc. Cons. a r.l.	25.68%	5						5	5	
Cardarelli Soc. Cons. a r.l.	60%	5						5	5	
Centro Europa Ricerche S.r.l.	21.38%	69			(8)			61	61	
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	
EOS Hijyen Tesis Hizmetleri Saglik Insaat Servis Muhendislik A.S.	50%	346	(346)					0	0	
F.lli Bernard S.r.l.	20%	1,366		(50)	167			1,483	1,483	
Gestione Strade Soc.Cons. a r.l.	25%	0	13					13	13	
GICO Systems S.r.l.	20%	146		0	17			163	163	
Global Provincia di Rimini Soc.Cons. a r.l.	42.40%	4						4	4	
Global Riviera Soc.Cons.	30.66%	9						9	9	

	%	Net Book Value 31 Dec 17	Changes of the year					Net Book Value 31 Dec 18	Book value	Provision
			Additions/ Disposals	Dividends	Share of net profit/Write-downs	Provision	Reserves			
a r.l.										
Global Vicenza Soc.Cons. a r.l.	41.25%	4						4	4	
GR.A.AL. SOC.CONS a r.l.	29,.26%	0	3					3	3	
Gymnasium soc. Cons. A r.l. in liquidation	68%	7						7	7	
IPP S.r.l.	25%	444			21			465	465	
Legnago 2001 Soc. Cons. a r.l.	50%	5						5	5	
LIVIA Soc. Cons. a r.l	34.10%	3						3	3	
Logistica Ospedaliera Soc. Cons. a r.l	45%	5						5	5	
Newco DUC Bologna S.p.A.	24.90%	914			157		204	1,275	1,275	
Palazzo della Fonte S.c.p.a.	33.30%	8,000						8,000	8,000	
Progetto ISOM S.p.A.	36.98%	1,867	(2,023)		156			0	0	
ROMA Multiservizi S.p.A.	45.47%	3,141		0	240		14	3,396	3,396	
San Martino 2000 Soc.Cons. a r.l.	40%	4						4	4	
Savia soc.cons.a.r.l.	49.11%	5	(5)					0	0	
S.E.I. Energia Soc. Cons. a r.l.	49%	5						5	5	
Società -Consortile Adanti Manutencoop a r.l. in liquidation	50%	10						10	10	
SE.SA.MO. S.p.A.	20.91%	1,507	(1,742)	(105)	242		97	0	0	
Se.Ste.Ro S.r.l. in liquidation	25%	114	(114)					0	0	
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)	40%	8						8	8	
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	
Simagest 3 Soc.Cons.a r.l. in liquidation	89.99%	45						45	45	
Synchron Nuovo San Gerardo S.p.A.	35.82%	5,076	(5,399)		323			0	0	
Steril Piemonte Soc. Cons. a r.l.	25%	1,000						1,000	1,000	

	%	Net Book Value 31 Dec 17	Changes of the year					Net Book Value 31 Dec 18	Book value	Provision
			Additions/ Disposals	Dividends	Share of net profit/Write-downs	Provision	Reserves			
T&M Protection Resources Holdings Italy S.p.A.	40%	600						600	600	
Tower Soc.Cons. a r.l.	20.17%	20						20	20	
NET BOOK VALUE		**27,212**	**(9,588)**	**(279)**	**1,466**	**(7)**	**315**	**19,119**	**19,207**	**(87)**

ANNEX III

RELATED-PARTY TRANSACTIONS

PARENT COMPANIES

		Revenues	Costs	Financial income	Financial expenses		Trade Receivables	Financial assets and other	Trade payables	Financial liabilities and other
CMF S.p.A.	31-Dec-17		2,152		6,432	31-Dec-17			10,759	168,562
	31-Dec-18				8,679	31-Dec-18				
Manutencoop Società Cooperativa	31-Dec-17	137	31,355		162	31-Dec-17	100	8,004	12,450	267
	31-Dec-18	230	31,337	1	211	31-Dec-18	88	15,285	9,042	507

ASSOCIATES AND JOINT-VENTURES

		Revenues	Costs	Financial income	Financial expenses		Trade Receivables	Financial assets and other	Trade payables	Financial liabilities and other
Alisei s.r.l. in liquidation	31-Dec-17					31-Dec-17	3			1
	31-Dec-18					31-Dec-18	3			1
AMG S.r.l.	31-Dec-17		274			31-Dec-17			162	
	31-Dec-18		261			31-Dec-18			242	
BGP2 Soc.Cons. r.l.	31-Dec-17		39			31-Dec-17			89	
	31-Dec-18					31-Dec-18			89	
Bologna Gestione Patrimonio Soc.Cons. a r.l. in liquidation	31-Dec-17	452	409			31-Dec-17	452		411	
	31-Dec-18	60	346			31-Dec-18	525		623	
Bologna Multiservizi Soc.Cons. a r.l.	31-Dec-17	37				31-Dec-17	54		606	
	31-Dec-18		27			31-Dec-18				
Bologna Più Soc.Cons.a r.l. in liquidation	31-Dec-17					31-Dec-17		3	3	2
	31-Dec-18					31-Dec-18		3	3	2
Bologna Global Strade Soc. Cons. a	31-Dec-17	2,524	5,376			31-Dec-17	1,943	336	3,926	
	31-Dec-18	3,370	5,821			31-Dec-18	2,597	336	3,796	

		Revenues	Costs	Financial income	Financial expenses		Trade Receivables	Financial assets and other	Trade payables	Financial liabilities and other
r.l										
Cardarelli Soc. Cons. a r.l.	31-Dec-17		661			31-Dec-17			342	
	31-Dec-18		39			31-Dec-18			40	
Centro Europa Ricerche S.r.l.	31-Dec-17					31-Dec-17				
	31-Dec-18					31-Dec-18				
Como Energia Soc.Cons.a r.l. in liquidation	31-Dec-17		261			31-Dec-17			999	
	31-Dec-18		46			31-Dec-18			102	
Consorzio Imolese Pulizie soc.Cons. in liquidation	31-Dec-17					31-Dec-17		36	12	
	31-Dec-18					31-Dec-18		36	12	
Consorzio Polo Sterilizzazione Integrata a r.l.	31-Dec-17					31-Dec-17				
	31-Dec-18					31-Dec-18				
Consorzio Sermagest Soc.Cons.a r.l in liquidation	31-Dec-17					31-Dec-17				
	31-Dec-18					31-Dec-18				
CO.& MA. Soc. Cons. a r.l	31-Dec-17	360	1,281			31-Dec-17	120	20	709	
	31-Dec-18	360	1,120			31-Dec-18	300	20	929	
DUC Gestione Sede Unica Soc. Cons. a r.l.	31-Dec-17	7,058	3,090			31-Dec-17	3,464		1,042	
	31-Dec-18	7,216	3,455			31-Dec-18	3,666		773	
EOS Hijyen Tesis Hizmetleri Saglik Insaat Servis Muhendislik A.S.	31-Dec-17	38				31-Dec-17	480	882	(27)	260
	31-Dec-18					31-Dec-18				
Fr.lli Bernard s.r.l.	31-Dec-17	12	71			31-Dec-17	45	50	56	
	31-Dec-18	(4)	76			31-Dec-18	29	50	46	
Gestione Strade soc.cons.r.l.	31-Dec-17					31-Dec-17				
	31-Dec-18		84			31-Dec-18			95	
Gico Systems S.r.l.	31-Dec-17	10	713			31-Dec-17	7		532	
	31-Dec-18	11	1,381			31-Dec-18	9		986	
Global Provincia di RN Soc.Cons.a r.l. in liquidation	31-Dec-17					31-Dec-17		70	13	
	31-Dec-18					31-Dec-18		70	13	
Global Riviera Soc.Cons.a r.l.	31-Dec-17		12			31-Dec-17			(41)	
	31-Dec-18		8			31-Dec-18			(31)	
Global Vicenza Soc.Cons. a r.l.	31-Dec-17		9			31-Dec-17		570	467	
	31-Dec-18		11			31-Dec-18		10	17	
GR.A.AL. Soc.	31-Dec-17					31-Dec-17				

		Revenues	Costs	Financial income	Financial expenses		Trade Receivables	Financial assets and other	Trade payables	Financial liabilities and other
Cons. a. r.l.	31-Dec-18					31-Dec-18				
Grid Modena S.r.l.	31-Dec-17					31-Dec-17				
	31-Dec-18					31-Dec-18				
Gymnasium Soc. cons. a r.l in liquidation	31-Dec-17					31-Dec-17	1	8	33	5
	31-Dec-18					31-Dec-18	1	8	33	
IPP S.r.l.	31-Dec-17	233	19			31-Dec-17	125	59		
	31-Dec-18	135				31-Dec-18	126	60		
Legnago 2001 Soc. Cons. r.l.	31-Dec-17		4			31-Dec-17	158		45	
	31-Dec-18		4			31-Dec-18	158		50	
Livia Soc. cons. a r.l.	31-Dec-17					31-Dec-17			8	
	31-Dec-18					31-Dec-18				
Logistica Ospedaliera Soc. Cons. a r.l.	31-Dec-17		6			31-Dec-17			15	
	31-Dec-18					31-Dec-18			15	
Newco DUC Bologna S.p.A	31-Dec-17		11			31-Dec-17			37	
	31-Dec-18					31-Dec-18			37	
Palazzo della Fonte S.c.p.a.	31-Dec-17	4,069				31-Dec-17	1.367			
	31-Dec-18	5,240				31-Dec-18	2,154			
Progetto ISOM S.p.A.	31-Dec-17	302	255	120		31-Dec-17	12,203	2,043	474	
	31-Dec-18	149	86	60		31-Dec-18				
Roma Multiservizi S.p.A.	31-Dec-17	5,778	1,603			31-Dec-17	4,248		725	
	31-Dec-18	1,623	1,377			31-Dec-18	3,261		615	
San Martino 2000 Soc.Cons. r.l.	31-Dec-17	1,530	3,235			31-Dec-17	163		633	
	31-Dec-18	2,186	2,695			31-Dec-18	236		880	
Savia Soc. Cons. a r.l	31-Dec-17		16			31-Dec-17			44	
	31-Dec-18		(4)			31-Dec-18			36	
Serena S.r.l. - in liquidation	31-Dec-17					31-Dec-17		3		
	31-Dec-18					31-Dec-18		3		
Servizi Napoli 5 Soc.Cons. a r.l.	31-Dec-17	1,409	1,315			31-Dec-17	2,057		1,310	
	31-Dec-18	1,397	1,310			31-Dec-18	2,710		1,820	
Se.Sa.Mo. S.p.A.	31-Dec-17	5,103		26		31-Dec-17	1,451	607	7	
	31-Dec-18	5,080		27		31-Dec-18				
S.E.I. Energia Soc. Cons. a r.l.	31-Dec-17					31-Dec-17				
	31-Dec-18	53				31-Dec-18	63	735		
SESATRE S.cons. a r.l.	31-Dec-17	14	4,298	3		31-Dec-17	3	3	1,352	
	31-Dec-18		161			31-Dec-18			18	

		Revenues	Costs	Financial income	Financial expenses		Trade Receivables	Financial assets and other	Trade payables	Financial liabilities and other
Se.Ste.Ro S.r.l.	31-Dec-17					31-Dec-17				
	31-Dec-18					31-Dec-18				
S.I.MA.GEST2 Soc. Cons. r.l. in liquidation	31-Dec-17					31-Dec-17		75	13	2
	31-Dec-18					31-Dec-18		75	13	2
S.I.MA.GEST3 Soc. Cons. r.l in liquidation	31-Dec-17					31-Dec-17		3	3	
	31-Dec-18					31-Dec-18		3	3	
Società Consortile Adanti Manutencoop in liquidation	31-Dec-17					31-Dec-17			53	
	31-Dec-18					31-Dec-18			53	
Steril Piemonte Soc. cons. a.r.l	31-Dec-17		675	1		31-Dec-17	7	326	474	
	31-Dec-18		723			31-Dec-18	7	75	346	
Synchron Nuovo San Gerardo S.p.A.	31-Dec-17	6,055	397	187		31-Dec-17	7,153	2,520	719	
	31-Dec-18	5,979	211	202		31-Dec-18				
T&M Protection Resources Holdings Italy S.p.A.	31-Dec-17					31-Dec-17				
	31-Dec-18	6				31-Dec-18	7			
Tower Soc.Cons. a r.l. in liquidation	31-Dec-17					31-Dec-17	33	29		
	31-Dec-18					31-Dec-18	33	29		

SUBSIDIARIES OF MANUTENCOOP SOCIETA' COOPERATIVA

		Revenues	Costs	Financial income	Financial expenses		Trade Receivables	Finacnial assets and other	Trade payables	Financial liabiliteis and other
Cerpac S.r.l. in liquidation	31-Dec-17					31-Dec-17	1			
	31-Dec-18					31-Dec-18	1			
Manutencoop Immobiliare S.p.A.	31-Dec-17	10	1,049			31-Dec-17	3	173		
	31-Dec-18	10	1,016			31-Dec-18	3	173		
Nugareto Società Agricola Vinicola S.r.l.	31-Dec-17	18	27			31-Dec-17	10		20	
	31-Dec-18	15	10			31-Dec-18	1		5	
Sacoa S.r.l.	31-Dec-17	88	19			31-Dec-17	97		42	
	31-Dec-18	67	37			31-Dec-18	25	23	22	
Sacoa Servizi Telematici S.r.l.	31-Dec-17					31-Dec-17				
	31-Dec-18					31-Dec-18				

		Revenues	Costs	Financial income	Financial expenses		Trade Receivables	Finacnial assets and other	Trade payables	Financial liabiliteis and other
Segesta servizi per l'Ambiente S.r.l.	31-Dec-17	8				31-Dec-17	1			
	31-Dec-18	6				31-Dec-18	2			
MPH S.p.A.	31-Dec-17					31-Dec-17				
	31-Dec-18					31-Dec-18				

ASSOCIATES OF MANUTENCOOP SOCIETA' COOPERATIVA OR OTHER RELATED PARTIES

		Revenues	Costs	Financial income	Financial expenses		Trade Receivables	Financial assets and other	Trade payables	Financial liabilities and other
Consorzio Karabak Società Cooperativa	31-Dec-17	68	1			31-Dec-17	30		1	
	31-Dec-18	66				31-Dec-18	21			
Consorzio Karabak 2 Società Cooperativa	31-Dec-17	4	1			31-Dec-17				
	31-Dec-18	3	1			31-Dec-18	1		1	
Consorzio Karabak 4 Società Cooperativa	31-Dec-17		2			31-Dec-17			1	
	31-Dec-18		2			31-Dec-18			2	
Consorzio Karabak 5 Società Cooperativa	31-Dec-17					31-Dec-17				
	31-Dec-18					31-Dec-18			1	
Consorzio Karabak 6 Società Cooperativa	31-Dec-17					31-Dec-17				
	31-Dec-18					31-Dec-18				

		Revenues	Costs	Financial income	Financial expenses		Trade Receivables	Financial assets and other	Trade payables	Financial liabilities and other
TOTAL	**31-Dec-17**	**35,317**	**58,636**	**337**	**6,594**	**31-Dec-17**	**35,778**	**15,820**	**38,519**	**169,099**
	31-Dec-18	**33,258**	**51,641**	**290**	**8,890**	**31-Dec-18**	**16,027**	**16,994**	**20,727**	**512**

ANNEX IV

STATEMENT OF RECONCILIATION OF THE RECLASSIFIED STATEMENT OF CASH FLOWS AND THE STATUTORY SCHEDULE ITEMS

	For the year ended			
	2018		2017	
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**59,870**		**174,992**
CASH FLOW FROM CURRENT OPERATIONS:		**49,536**		**28,632**
Profit before taxes for the year	24,269		16,725	
Amortization, depreciation, write-downs and (write-backs) of assets	31,121		30,280	
Accrual (reversal) of provisions for risks and charges	2,584		143	
Employee termination indemnity provision	1,073		935	
Share of net profit of associates, net of dividends collected	2,841		3,610	
Financial charges (income) in the financial year	32,103		39,689	
Net interest received (paid) in the financial year	(25,823)		(43,495)	
Income tax paid in the financial year	(11,808)		(17,231)	
Reclassifications:				
Non-cash net financial charges accounted for under the Statement of profit or loss	*(6,824)*		*4,128*	
Non-monetary elements ("Oneri di Sistema" charges)	*0*		*(6,152)*	
USES OF PROVISIONS FOR RISKS AND CHARGES AND PAYMENTS OF THE EMPLOYEE TERMINATION INDEMNITY:		**(7,180)**		**(8,705)**
Payments of Employee termination indemnity	(1,875)		(2,453)	
Utilization of provisions	(5,305)		(6,252)	

	For the year ended			
	2018		2017	
CHANGE IN NWOC:		**14,965**		**69,170**
Decrease (increase) of inventories	(281)		(1,675)	
Decrease (increase) of trade receivables	11,289		24,131	
Increase (decrease) of trade payables and advances from customers	3,957		38,582	
Reclassifications:				
Additional charges relating to new loans accounted for according to the amortised cost method	*0*		*8,132*	
INDUSTRIAL AND FINANCIAL CAPEX:		**(18,449)**		**(32,882)**
(Purchase of intangible assets, net of sales)	(7,947)		(6,501)	
(Purchase of property, plant and equipment)	(24,040)		(25,048)	
Proceeds from sales of property, plant and equipment	457		498	
(Acquisition of investments)	11,041		(1,487)	
Decrease (increase) of financial assets	460		(27)	
Financial effects of Business combinations	(1,529)		0	
Net cash from assets held for sale	220		1,060	
Reclassifications:				
Net change in the balance of short-term financial assets, to be included in the balance of net financial liabilities	*3,580*		*(1,470)*	
Payables for acquisition of equity investments and business combinations	*(690)*		*93*	
CHANGE IN NET FINANCIAL LIABILITIES:		**176,946**		**(139,358)**
Change in finance lease debt	(445)		2,708	
Acquisition of non-current borrowings	6,676		195,300	
Repayment of non-current borrowings	0		(324,310)	
Proceeds from/(repayment of) short term bank debt	(86)		(5,857)	
Other changes in financial debt	(14,391)		3,683	
Adjustments:				
Financial effects of Business combinations	*181,258*		*0*	
Reclassifications:				
Non-cash net financial charges accounted for under	*6,824*		*(4,128)*	

	For the year ended			
	2018		2017	
the Statement of Profit or Loss				
Net change in the balance of short-term financial assets, to be included in the balance of net financial liabilities	*(3,580)*		*1,470*	
Additional charges relating to new loans accounted for according to the amortised cost method	*0*		*(8,132)*	
Payables for acquisition of equity investments and business combinations	*690*		*(93)*	
OTHER CHANGES:		**(180,956)**		**(31,980)**
Decrease (increase) of other current assets	8,413		(5,902)	
Increase (decrease) of other current liabilities	(5,984)		(7,212)	
Dividends paid	(70)		(25,111)	
Acquisition/disposal of minority interests in subsidiaries	(1,500)		93	
Differences arising from translation of financial statements in foreign currency	(557)		0	
Adjustments:				
Financial effects of Business combinations	*(181,258)*		0	
Reclassifications:				
Non-monetary elements ("Oneri di Sistema" charges)	*0*		*6,152*	
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**94,733**		**59,870**



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