rekeep

minds that work



REPORT ON OPERATIONS

FOR THE FINANCIAL YEAR 2018

RE**SPECT**

RE**NAISSANCE**

RE**THINK**

RE**SPONSIBLE**

GENERAL INFORMATION

REGISTERED OFFICE

Via U. Poli, 4
Zola Predosa (Bo)

BOARD OF DIRECTORS

Appointed by the Shareholders' Meeting
of 13 October 2017

CHAIRMAN
AND CHIEF EXECUTIVE OFFICER
Giuliano Di Bernardo

VICE CHAIRMAN
Giuseppe Pinna

DIRECTORS
Laura Duò
Rossella Fornasari
Paolo Leonardelli
Gabriele Stanzani
Matteo Tamburini

BOARD OF STATUTORY AUDITORS

Appointed by the Shareholders' Meeting
of 13 October 2017

CHAIRMAN

Germano Camellini

STANDING AUDITORS
Marco Benni
Monica Mastropaolo

ALTERNATE AUDITORS
Michele Colliva
Antonella Musiani

INDEPENDENT AUDITORS

EY S.p.A.

PREAMBLE

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

The Rekeep Group is active in the management and provision of integrated services to public and private customers, targeted at properties, the area and to support so-called "Integrated Facility Management" health care activities. At present the Rekeep brand develops at 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. (formerly Manutencoop International FM 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 by establishing Yougenio S.r.l., an innovative start-up active in the provision of services to private consumers through an e-commerce platform. This event led the Group to enter the B2C services market.

Shareholding structure and merger of CMF S.p.A. by incorporation

Ordinary shares issued by Rekeep S.p.A and fully paid up at 31 December 2018 amounted to 109,149,600, with a par value of Euro 1 each. There are no other share classes. The Parent Company does not hold own shares.

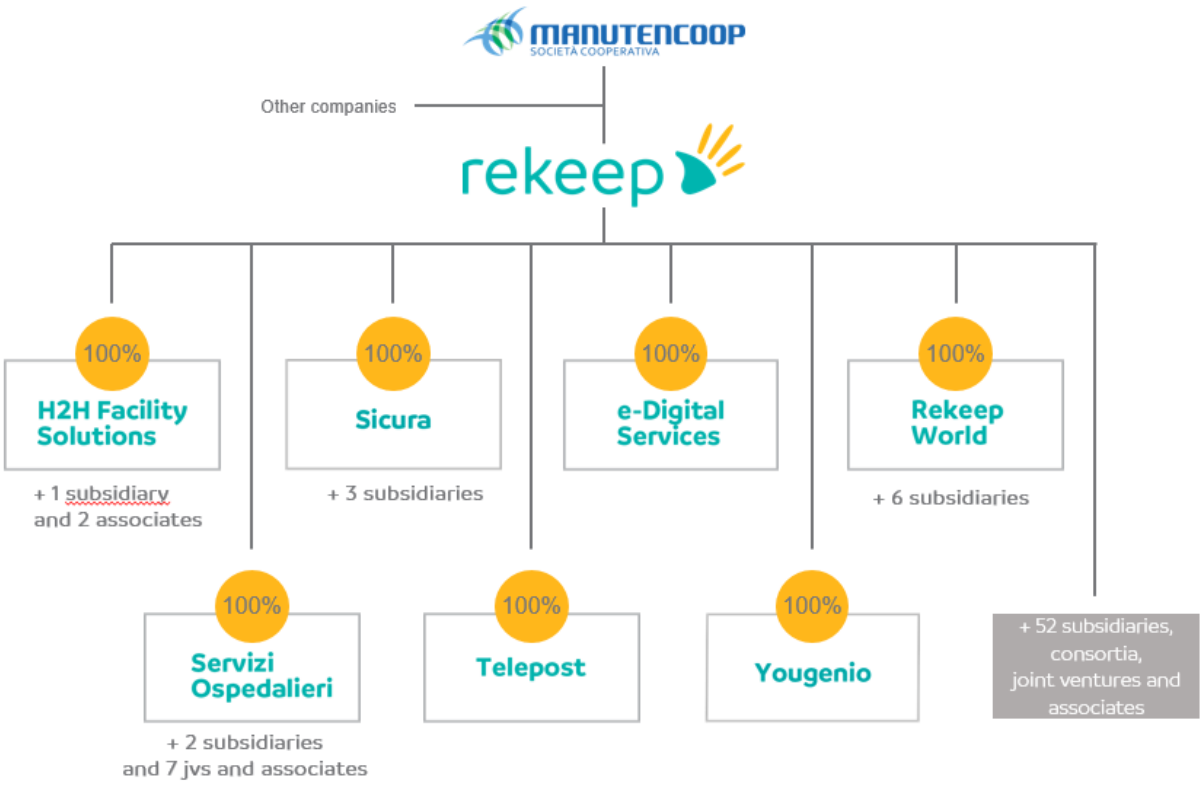
On 26 May 2017, Manutencoop Società Cooperativa set up as sole shareholder a vehicle called CMF S.p.A. for the launch of a bond issue (Senior Secured Notes) with the purpose of repurchasing the Notes already issued by Manutencoop Facility Management S.p.A. (now Rekeep S.p.A.) during 2013 and repaying the other financial payables of the entire Group controlled by Manutencoop Cooperativa. Moreover, the company restructuring operation provided Manutencoop Società Cooperativa with the financial resources required to allow the exit of the Investors holding non-controlling interests in Manutencoop Facility Management S.p.A. and to pay the Vendor Note issued by it as part of the already mentioned Investment Agreement of 2016. In fact, on 13 October 2017, CMF S.p.A. completed the purchase of the shares of the Investors, representing 33.2% of the share capital of Manutencoop Facility Management S.p.A. in accordance with the Call Option transferred to it by Manutencoop Società Cooperativa and recognised by the Shareholders' Agreement signed in July 2016. On the same date, there was also the transfer and sale of the additional shares of the Company owned by Manutencoop Società Cooperativa to CMF S.p.A., which thus became its sole shareholder.

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 the Parent company CMF S.p.A. by incorporation into its subsidiary. The Merger was approved by their respective Shareholders' Meetings on 12 April 2018 and filed with the Register of Companies on 13 April 2018. Finally, in executing the resolutions passed by said Meetings, on 14 June 2018 the Deed of Merger was entered into, which was then entered in the Bologna Register of Companies on 29 June 2018.

The Merger was completed pursuant to Article 2501-*bis* of the Italian Civil Code, since CMF S.p.A. has raised a debt to acquire full control over the subsidiary and its equity, being acquired, constitutes a general guarantee and the source of repayment of this debt.. The Merger is expressly envisaged in the rules governing the non-convertible and non-subordinated bond issue named "CMF S.p.A. € 360,000,000 9.0% Senior Secured Notes due 2022", for a total capital amount of € 360,000,000, which was launched by CMF S.p.A. on 6 July 2017 and whose stocks (ISIN Codes: XS1642816554 XS1642818337) were admitted to listing on the EURO MTF multilateral trading system managed by the Luxembourg Stock Exchange and on the ExtraMOT multilateral system, PRO segment, organized and managed by Borsa Italiana S.p.A.. The statutory, accounting and tax effects are expected to run from 1 July 2018.

Finally, 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 structure of the Group subject to management and coordination by Manutencoop Società Cooperativa was as follows at 31 December 2018:



MACROECONOMIC AND MARKET SCENARIO

During 2018 the world economy continued to grow; however, there were signs of cyclic deterioration in many advanced and emerging economies during the second half of the year; moreover, a worsening trend in world trade prospects continued after the slowdown in the first half of last year. Uncertainties regarding the economic situation had repercussions on the international financial markets, with a drop in long-term yields and a fall in stock indices. Although there were signs of easing of pressure between the end of 2018 and the beginning of 2019, in terms of global prospects, there are still high concerns about future developments in commercial tensions that characterised 2018, in particular the outcome of the trade negotiations between the United States and China, the possible worsening of financial tensions in emerging countries and the methods and subsequent effects of Brexit.

In the Eurozone growth weakened: at the end of the year industrial production had recorded a significant decrease in Germany, France and Italy, while the ECB confirmed its intention to maintain a significant monetary stimulus over a long period of time to support growth and inflation at hoped-for levels.

In Italy growth in economy continued for the fifth consecutive year, although it slowed down compared to 2017: GDP grew by 0.9%, down compared to expectations and showing a considerable reduction compared to 2017 (+ 1.6%) due to a more marked slowdown in the second half of the year.

Despite a weaker trend, in 2018 growth was mainly supported by the positive contribution, albeit showing a decline in domestic demand from the second half of the year (+ 1%), in particular investments and, to a lesser extent, household expenditure. The trend in Italian exports was still favourable (+1.9%) but the slowdown in global trade affected the businesses' prospective assessments of foreign orders and foreign demand had in fact an adverse impact (-0.1%) on GDP in the second half of the year.

2018 saw the confirmation of a positive trend in the labour market with an increase in employment in the current year, thus contributing to a gradual decrease in the unemployment rate (10.5%).

Overall inflation went down to 1.2% in December, far from monetary policy targets, mainly as a result of a slowdown in the prices of energy products; in addition, the businesses' expectations about price trends were revised downwards. Financial markets remained strained compared to the conditions observed before the summer, even though risk premiums on sovereign bonds showed a decline, compared to the peaks recorded in the autumn, as a result of the agreement between the Italian Government and the European Commission on budget programmes.

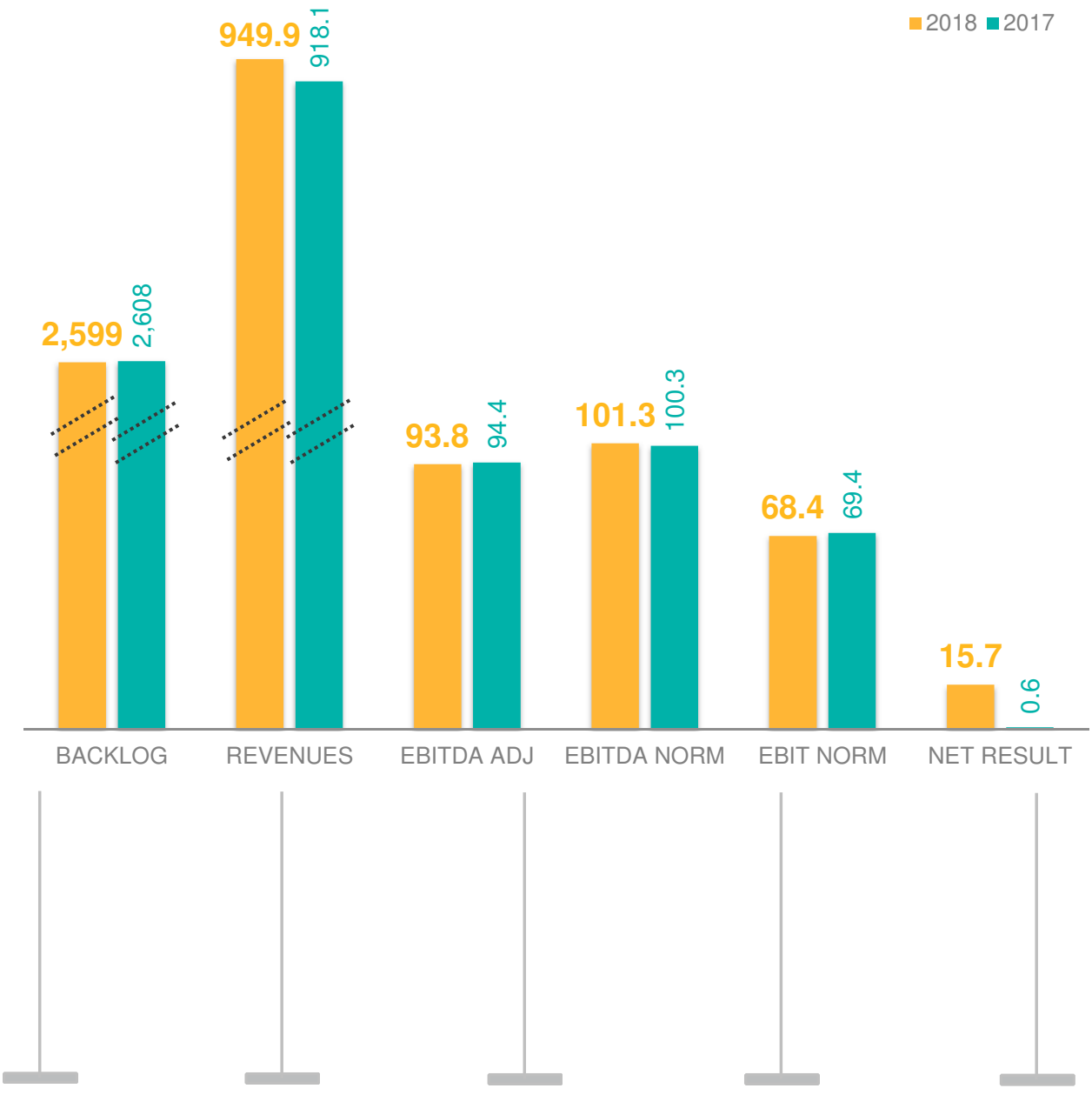
. Sources: "Statistical Bullettin January 2019 – Bank of Italy" and "ISTAT Press Release - 1 March 2019".

NON-GAAP FINANCIAL MEASURES

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

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

	Definition
	(loss) on exchange rate. The Statement of Profit or Loss shows EBIT as "Operating Income".
EBITDA	EBITDA represents the Operating Income before allocations to the accrual of provisions for risks and amortization/depreciation, write-downs and write-backs of assets. EBITDA is a measure used by the Company's management to monitor and assess its operating performance and it is not identified as an accounting measure under IFRS. Therefore, it must not be considered an alternative measurement for evaluating the trend in the Group's profit/loss. Given that the breakdown of EBITDA is not regulated by the accounting standards, the calculation criteria applied by the Group may not be comparable.
Adjusted EBIT or EBITDA	Adjusted EBITDA and Adjusted EBIT do not include non-recurring elements recorded in the consolidated Statement of Profit/Loss for the year, as described in paragraph "Non-recurring events and transactions in the period".
Revenues, Normalized EBITDA or EBIT	Normalized values represent Adjusted measures that also exclude the contribution to the consolidated profit/loss of the start-up activities relating to the subsidiary Yougenio S.r.l. and to the sub-group controlled by Rekeep World S.r.l. (formerly Manutencoop International S.r.l.).
Gross Debt	Gross Debt is defined as the sum of debts for principal referring to: i) Senior Secured Notes; ii) Bank debts; iii) Current bank overdraft, advance payments and hot money; iv) Obligations arising from assignments of trade receivables with recourse; v) Financial lease obligations.
LTM (Last Twelve Months)	LTM values relate to the economic values or financial flows identified in the last 12 months, or in the last 4 financial reporting years.
Net Cash	Net Cash is defined as the balance of "Cash and cash equivalents" net of: i) Bank overdrafts, advance payments and hot money; ii) Obligations arising from assignments of trade receivables with recourse.
Net Debt	Net Debt is defined as Gross Debt net of the balance of Cash and cash equivalents and Current financial assets.
NFP	Consolidated Net Financial Position represents the balance of Long-term debt, Derivatives, Bank borrowings (including current portion of long-term debt) and other financial liabilities, net of the amount of receivables and other current financial assets and Cash and Cash equivalents.
Adjusted NFP and CCON	Adjusted NWOC and Adjusted NFP include the balance of the trade receivables assigned in the framework of the previous years' assignment without recourse programmes and not yet collected by the factoring companies.



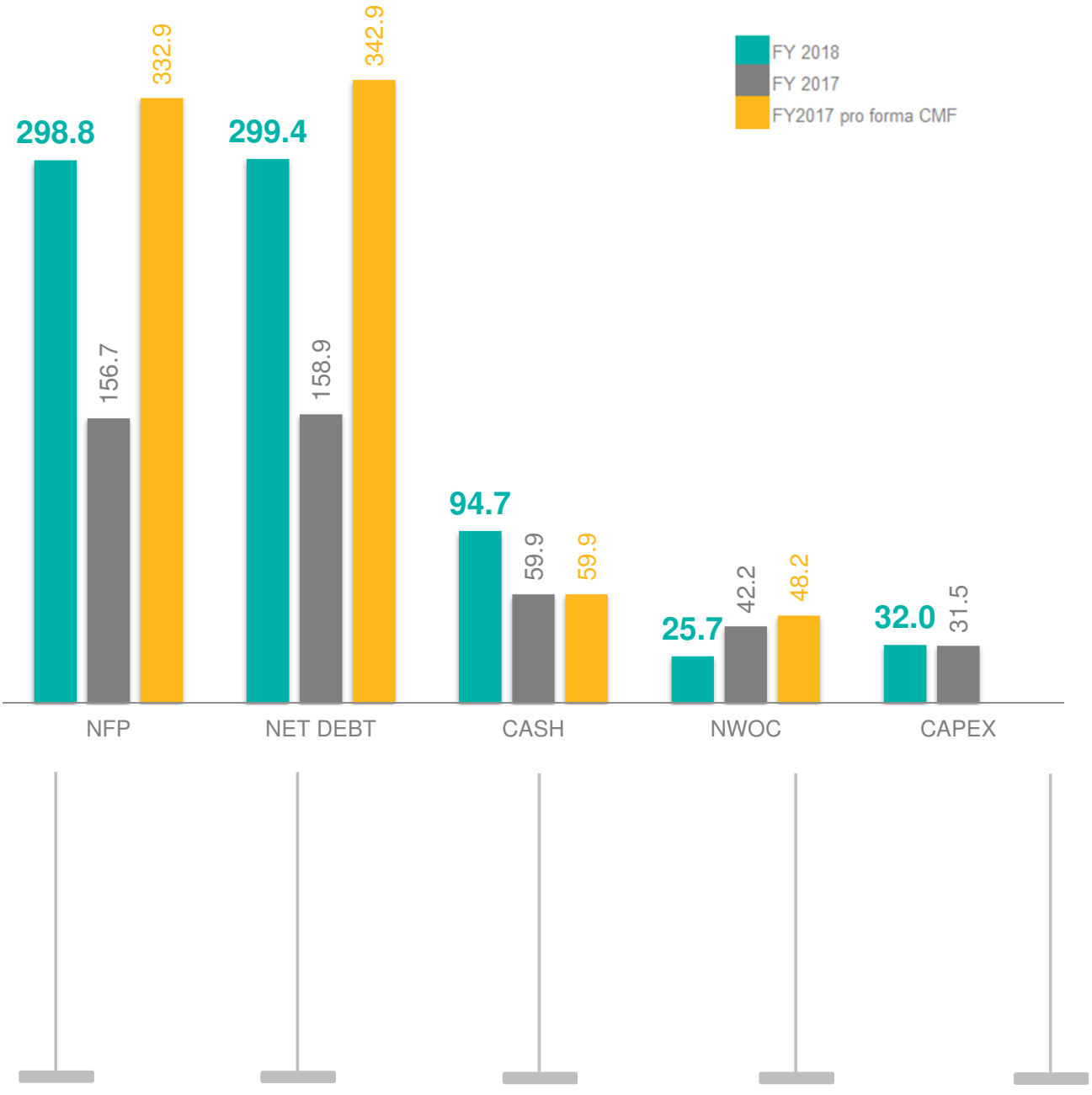
BACKLOG/ REVENUES LTM
2.7x
vs 2.8x at 31/12/2017

REVENUES
+3.5 %
vs 31/12/2017

EBITDA ADJ/ REVENUES
9.9%
vs 10.3% at 31/12/2017

EBITDA NORM/ REVENUES
10.8%
vs 10.9% at 31/12/2017

EBIT NORM / REVENUES
7.3%
vs 7.6% at 31/12/2017



NFP / EBITDA NORM LTM
2.9x

CASH
94.7 mln
vs 59.9 mln at 31/12/2017

NET CASH
71.1 mln
vs 23.9 mln at 31/12/2017

NWOC / REVENUES
2.8%
vs 4.6% at 31/12/2017

REPORT ON OPERATIONS

2018 SIGNIFICANT EVENTS

The 2018 financial year saw the completion of the reorganization and refinancing process of the Group controlled by Manutencoop Società Cooperativa which started during 2017.

From a corporate point of view, in fact, the Parent Company Rekeep S.p.A. has completed the merger by incorporation of its direct controlling company CMF S.p.A. as already envisaged in the rules governing the Senior Secured Notes bond issue launched by the latter in 2017. With the merger, the title to the bonds was transferred directly to Rekeep S.p.A. leading to a business combination under joint control for the Group (since it was completed within the larger group controlled by Manutencoop Società Cooperativa) with financial and economic effects on the Rekeep group, which began to run as early as from the effective date of the merger itself (1 July 2018).

The year also showed a reversal of the trend in the key financial and capital ratios, resuming the path to growth that had been affected by an unfavourable economic situation and a persistent stagnation on the target domestics market.

From a strategic point of view, the 2018 financial year saw the confirmation, from quarter to quarter, of a resumption of growth in volumes, both through organic growth and through acquisitions to a much lesser extent. In particular, in February Rekeep World (formerly Manutencoop International S.r.l., which changed its company name in July 2018) acquired the majority of the shares of the Turkish company EOS Hijyen Tesis Hizmetleri Saglik Insaat Servis Muhendislik A.S. (founded in 2014 in a joint-venture with a local partner and previously jointly controlled by Servizi Ospedalieri S.p.A.), which provides linen rental, industrial laundering and sterilisation services in the Turkish healthcare market.

On 3 July 2018 the Group also acquired, through subsidiary Servizi Ospedalieri S.p.A., a quota of 60% in the capital of Medical Device S.r.l., a company specialising in the production of procedure kits for the healthcare sector, i.e. single-use packs containing all the instruments required to support healthcare teams in the performance of surgical interventions. The transaction is consistent with Rekeep Group's growth and development strategy to enter specialist sectors that are complementary to the core business. The aim is to increase the Group's footprint and strengthen its leadership in the healthcare support services business both at a national and international level.

Furthermore, as regards the Group's performance, the second quarter of the year confirmed a positive trend in revenues (+ € 31.8 million in 2018 compared to 2017) driven by the effects of the start of operations for the contracts relating to the ordinary lot 12 of the MIES 2 Agreement; in this regard there was the completion of the signature of the supply orders ("OPF", *Ordinativo Preliminare di Fornitura*, Preliminary Supply Order) relating to the aforesaid ordinary lot 12 under the Consip MIES2 Agreement (signed on 20 September 2017), and agreements were signed for the additional lot 14. Furthermore, we must note the positive contribution given by specialist services and in particular by those provided by the sub-group controlled by Sicura S.p.A.. Furthermore, within the operations of the *Facility Management* SBU, work continued on the development of the Group's Start-ups, Rekeep World S.r.l. and Yougenio S.r.l., which proved to be in profit. In 2018 Yougenio achieved about 67,00 orders (+180% compared to 2017), while in March Manutencoop Transport S.a.s. (the French subsidiary indirectly controlled by

Rekeep World) was awarded the European tender launched by SNCF (*Sociétè Nationale des Chemins de fer Francais*), relating to the provision of soft facility management services on the railway lines in the Montrouge area, for a value of about € 14 million in 4 years (the customer is entitled to extend this term to 5 years). Unfortunately, the operating results of the start-ups remained negative due to the still considerable distance between developed and breakeven volumes, to which must be added the impact of fixed costs and of the investments required for business development.

Finally, with regard to the *Laundering &Sterilization* SBU the financial year was characterised by a decrease in Revenues (- € 3.1 million) specifically due to the completion of some major contracts, as well as by a linen rental and industrial laundering market situation that has seen considerable price reductions applied upon renewal, while a slowdown continued in the development of sterilisation operations, the target market of which has long been expected to grow.

Rebranding Project

On 8 May 2018 the Board of Directors of Manutencoop Facility Management S.p.A. approved the plan to change its company name to Rekeep S.p.A.. Therefore, it embarked on a path to adopt the new name and a new logo, which led to the presentation to the Shareholders' Meeting held on 25 June 2018 called to approve amendments to article 1 of the Articles of Association concerning the company name. The new name became effective on 2 July 2018, following the resolution passed by the Shareholders' Meeting being entered in the Bologna Register of Companies.

The new name is the fruit of a broader-based project which aims at strengthening the Company's identity and is the crowning element in its new corporate structure, in which Manutencoop Società Cooperativa has been the sole shareholder, holding the entire capital, since October 2017. The new brand identity project also finds its place in an overall change in the internal organisation system, in addition to the Group's process of growth and development globally.

Compensation for the damage suffered by Rekeep S.p.A. on the 2010 Consip tender

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.

New agreement for assignments of trade receivables without recourse

On 27 December 2018, Rekeep S.p.A. signed a new agreement with Banca Farmafactoring S.p.A. for the assignment of its trade receivables without recourse signed for an amount of up to € 200 million. The agreement has a term of three years and provides for the possibility of assigning the receivables claimed by Rekeep S.p.A. and Servizi Ospedalieri S.p.A. from the National Health System and Public Authorities without recourse and on a revolving basis. The new agreement replaces the previous arrangement, which was entered into with Banca Farmafactoring S.p.A. in 2016 and which provided for an annual ceiling of up to € 100 million for the assignment of receivables claimed from the National Health System.

Acquisition and disposal of shareholdings

On 15 January 2018 the subsidiary Rekeep World S.r.l. (previously: Manutencoop International FM S.r.l.) transferred a 30% quota of the capital of Manutencoop France S.a.r.l. at a price of € 30 thousand to TMS Servizi Integrati S.r.l.. Following this transfer, the Group's percentage of ownership of Manutencoop France S.a.r.l. came to 70%.

On 28 February 2018 the subsidiary acquired a stake of 1% of the share capital of EOS Hijyen Tesis Hizmetleri Saglik Insaat Servis Muhendislik A.S. ("EOS") based in Ankara (Turkey) at a price equal to € 2 million. Following the acquisition, pursuant to IFRS10 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%. Therefore the Group's percentage of ownership of EOS came to 51%.

Furthermore, on 2 May 2018 Rekeep World S.r.l. acquired a stake of 50.98% in the capital of Rekeep United Yönetim Hizmetleri A.Ş.. The company is also invested in by United Group, a Turkish player with an annual turnover of about € 60 million and more than 4,000 employees. A residual stake is also held by GESIDI Engineering Architecture, a company that operates in the field of applied architecture. The project is aimed at fostering the strategic integration of the Rekeep Group's expertise in the healthcare sector into the United Group's expertise in the integrated facility management sector, with the objective of speeding up the development of the business conducted by both Companies in Turkey.

On 3 July 2018 the subsidiary Servizi Ospedalieri S.p.A. acquired a quota of 60% in the capital of Medical Device S.r.l., a company specialising in the production of procedure kits for the healthcare sector, i.e. single-use packs containing all the instruments required to support healthcare teams in the performance of surgical interventions. The transaction was completed

through a capital increase of € 2.0 million subscribed by Servizi Ospedalieri and is consistent with the Rekeep Group's growth and development strategy to enter specialist sectors that are complementary to the core business. The aim is to increase the Group's footprint and strengthen its leadership in the healthcare support services business both at a national and international level. Medical Device S.r.l., with registered office in Montevarchi (Arezzo), recorded revenues of € 4.4 million and employed about 30 people in 2017. It has acquired over the years certifications for the marketing of Class 3 medical devices, which are particularly crucial due to their intended use and which require very complex certification procedures on the part of the Notified Bodies.

Finally, 20 July 2018 saw the completion of the sale of 31.98% of the share capital of Progetto ISOM S.p.A. to Sinloc – Sistema Iniziative Locali S.p.A.. The company in question is the vehicle established by Rekeep S.p.A. (formerly Manutencoop Facility Management S.p.A.), Sinloc S.p.A. and Siram S.p.A. for the design, financing, implementation and management of the project for the energy upgrading of the Sant'Orsola Hospital in Bologna, under a project finance concession agreement. Following the transaction the remaining stake held by Rekeep S.p.A. in the company is now equal to 5%. Furthermore, the transfer has regarded the entire receivable relating to the interest-bearing shareholder loan as at 20 July 2018, equal to € 2.1 million. The total consideration of € 6.1 million was collected in full on the date of the transfer.

Finally, on 28 December 2018 Rekeep S.p.A. transferred a quota of 95% of the capital held in MFM Capital S.r.l. to 3i European Operational Projects SCSp ("3i EOPF"), an investment fund managed by 3i Investments Plc. MFM Capital is the holding company established by Rekeep S.p.A. which has received the Group's major interests in the project companies involved in various project finance and service concession initiatives, in addition to the financial receivables arising from the corporate loans granted to them. Specifically these companies are:

- Synchron Nuovo San Gerardo S.p.A. (Project finance of Ospedale San Gerardo in Monza);
- Arena Sanità S.p.A. (Project finance of Policlinico di Borgo Roma and Ospedale Civile Maggiore in Borgo Trento di Verona);
- Genesi Uno S.p.A. (Project finance of Ospedale civile di Legnano);
- Sesamo S.p.A. (Project finance of Ospedale civile di Baggiovara - Modena);
- Terza Torre S.p.A. (Project finance of the Emilia Romagna Regional Government headquarters);
- Alessandria Project Value S.r.l. (Service Concession or the management of the real estate assets of the Municipal Government of Alessandria).

3i has paid a consideration of € 9.1 million upon signing the agreement while the deferred consideration of € 5.0 million will be paid in subsequent tranches upon the completion of the construction of the projects in progress. Furthermore an additional consideration of up to € 2 million is expected to be paid on account of Earn-outs upon the fulfilment of some contract conditions linked to the attainment of certain performance targets on the part of each SPV in next future.

The Rekeep Group retains a quota of 5% of MFM Capital S.r.l., as well as minority interests in each project company, thus ensuring business continuity in the management of services under its responsibility.

The transaction also allows the creation of a strategic partnership with 3i EOPF, with a view to integrating the Rekeep Group's operational capacity into the expertise of a financial partner of international standing, thus promoting a business growth model leveraging its ability to attract and enhance strategic partnerships globally.

1. SUMMARY OF RESULTS OF THE FOURTH QUARTER OF 2018

	For the quarter ended 31 December			For the financial year ended 31 December		
	2018	2017	%	2018	2017	%
Revenues	263,138	253,632	+3.7%	949,882	918,091	+3.5%
Adjusted EBITDA (*)	24,879	24,323	+2.3%	93,843	94,443	-0.6%
Adjusted EBITDA % of Adjusted Revenues	9.6%	9.6%		9.9%	10.3%	
Normalized EBITDA (*)	27,061	25,785	+5.0%	101,309	100,340	+1.0%
Normalized EBITDA % of Normalized Revenues	10.4%	10.2%		10.8%	10.9%	
Adjusted EBIT (*)	15,254	17,268	-11.7%	60,137	63,395	-5.1%
Adjusted EBIT % of Adjusted Revenues	5.9%	6.8%		6.4%	6.9%	
Consolidated Net Profit (Loss)	5,362	(17,198)		15,843	715	

In the fourth quarter of 2018, the Group recorded ***Revenues*** of € 263.1 million compared to € 253.6 million in the same period of the previous year, with a positive change (+ € 9.5 million), thus strengthening the volume growth trend that characterised the 2018 financial year. On 23 November 2018 Consip S.p.A. paid Rekeep S.p.A. an amount of € 4.3 million, by bank transfer, as compensation for the damage suffered by the same within a tender launched by Consip S.p.A. in 2010. This revenue was stated in "Other Revenues" and is to be regarded as non-recurring income, and therefore not included in the Adjusted and Normalized values.

The positive change in consolidated Revenues, compared to the value posted in the fourth quarter of the previous year, had a more significant impact on the Healthcare sector (+ € 12.2 million), thus continuing to benefit from the volumes arising under the new MIES 2 agreement (+ € 7.1 million in the quarter, under agreements that were entered into from the second quarter of 2018 only), as well as from some contracts entered into with Local Health Units (in particular those of ASL Frosinone), for which work started only between the end of 2017 and the beginning of 2018. Furthermore, note the revenues recorded by the Turkish company EOS, which was consolidated on a line-by-line basis only from the second quarter of 2018 and which gave a contribution of € 0.9 million to the revenues for the quarter.

On the other hand, the Public market showed a drop in the comparative quarter (- € 8.9 million), despite the positive contribution given by some contracts for which work was started in 2018, which had not been reported in the previous year (and in particular the contribution given by the service operations started with SNCF for € 1.0 million in France). On the contrary there was an adverse impact from the gradual expiry of contracts relating to some agreements entered into in previous years which had come to an end and extended until new awards (including Consip Uffici, Consip Sie2 and Consip Scuole tenders), as well as from some specific contracts such as that relating to Lot 2 with the Rome transport company (ATAC).

Finally, the turnover in the Private sector showed a slight improvement compared to the fourth quarter of 2017 (+ € 1.9 million), mainly due to the positive contribution given by specialist services (in particular from the Sicura Group, Yougenio and Medical Device), with a net positive differential of € 1.8 million compared to the same quarter of 2017.

In terms of Strategic Business Unit ("SBU"), the Facility Management's turnover helped to drive the abovementioned positive revenue performance in the quarter, showing an increase of € 9.1 million, coming to € 230.9 million in the quarter ended 31 December 2018 compared to € 221.8 million in the same period of 2017. This SBU fully included all the positive changes described above, except for the contribution given by Medical Device (+ € 0.9 million) pertaining to the *Laundering&Sterilization* SBU. The latter's turnover in the fourth quarter of 2018 remained substantially stable (+ € 0.3 million, from € 32.6 million for the quarter ended 31 December 2017 to € 32.9 million for the quarter ended 31 December 2018), against the considerable number of renewals of orders in the backlog, which took place at lower prices on average during the second half of 2017.

At 31 December 2018, **Backlog** came to € 2,599 million, substantially unchanged compared to the value reported at the end of the previous quarter (€ 2,589 million at 30 September 2018) and 31 December 2017 (€ 2,608 million). The Backlog/ Revenues ratio at 31 December 2018 amounted to 2.7x (2.8x at 31 December 2017).

Adjusted EBITDA for the fourth quarter of 2018 came to € 24.9 million, up by € 0.6 million compared to the same quarter of the previous financial year (when it was equal to € 24.3 million). In particular, the *Facility Management* SBU showed an increase of € 0.9 million, also against an adjusted operating loss reported by the start-ups Yougenio S.r.l. and Rekeep World S.r.l. (included in the SBU), equal to € 2.2 million compared to the fourth quarter of 2018 and € 1.5 million in the fourth quarter of 2017. On the other hand the *Laundering&Sterilization* SBU showed a decrease of € 4 million, despite the positive contribution given by Medical Device in the quarter (+ € 0.2 million). This entailed substantially stable average profit margins (**Adjusted EBITDA/Revenues**), which came to 9.6% in both comparative quarters. However, in terms of EBITDA the recovery in profit margins for the quarter was evident for the Facility Management SBU (from 7.7% to 7.9%), while there was a decline in the *Laundering&Sterilization* SBU (from 22.4% to 21.2%).

Adjusted EBIT of the quarter ended 31 December 2018 amounted to € 15.3 million against € 17.3 million for the same period of the previous year, with relative profit margins down in the two quarters (5.9% of related Adjusted Revenues in the fourth quarter of 2018 against 6.8% in the same period of the previous year). The difference was affected, in absolute terms, by the positive trend already shown for Adjusted EBITDA (+ € 0.6 million) to which must be added lower write-downs of receivables (net of releases) for € 1.7 million (associated to some risk positions posted in the fourth quarter of 2017) but from which must be deducted higher *amortization and depreciation* for € 0.4 million and higher net accruals to provisions for future risks and charges for € 3.9 million. The latter are the result of a comparison between net accruals in the last quarter of 2018 for € 1.9 million and net releases in the fourth quarter of 2018 for € 1.9 million. The different performance in the two comparative quarters is attributable to the effect of higher reversals of provisions in the last quarter of 2017 (+ € 0.5 million) on the one hand,

and, on the other, to a different impact of risk estimates in the quarters of the year, which were concentrated in the fourth quarter of 2018 while they had a more uniform distribution during the quarters of the previous year.

Finally, the **Consolidated net result** for the quarter was positive and equal to € 5.4 million , while it was negative and equal to 17.2 million for the quarter ended 31 December 2017, when it included significant non-recurring costs (€ 11.6 million), arising from the Group's refinancing transaction carried out in the last quarter of the year. In fact, to the consolidated EBIT for the quarter must be added higher net financial costs (net of non-recurring elements for the last quarter of 2017) for € 4.6 million, manly linked to the cost of higher assignments of receivables without recourse, as well as to interest payable on the Senior Secured Notes bond issue for a nominal amount of € 360 million issued in 2017 (and fully contributed to Rekeep S.p.A. after the merger with CMF S.p.A. on 1 July 2018) compared to the bond issue paid off on 13 October 2017 for a nominal amount of € 300 million, which was subsequently replaced, until the merger with CMF S.p.A., by the Proceeds Loan for a nominal amount of € 190.3 million at the date of issue.

	31 December 2018	30 September 2018	31 December 2017	31 December 2017 Pro-forma CMF
Net Working Operating Capital (NWOC)	25,749	43,668	42,200	48,170
Net Financial Position (NFP)	(298,788)	(323,896)	(156,706)	(332,922)

From an equity and financial point of view, the figure relating to Net Working Operating Capital (**NWOC**) at 31 December 2018 recorded a further decrease compared to the value posted at the end of the previous year (- Euro 16.5 million) compared to the value posted in the previous quarter (- € 17.9 million). In particular, lower trade receivables of € 11.2 million (+ € 12.1 million in the last quarter) and higher trade payables of € 6.6 million (+ € 30.2 million in the last quarter) were recorded against a Net Financial Position (**NFP**), which increased from € 156.7 million at 31 December 2017 to € 298.8 million at 31 December 2018. The latter change was significantly affected by the merger of CMF S.p.A. by incorporation into Rekeep S.p.A., in accordance with the rules governing the Senior Secured Notes bond issue in a nominal amount of € 360 million launched during 2017. The statutory, accounting and tax effects of the merger began to run from1 July 2018 and, with effect from this date, the title to the bond was transferred to Rekeep S.p.A., with the consequent repayment of the Proceeds Loan that had been granted to it previously (in a nominal amount of € 174.2 million at the date of the merger). With respect to the consolidated values that provide a pro-forma statement of the merger at 31 December 2017, the NFP showed on the contrary an improvement of € 34.1 million.

During the year assignments of trade receivables without recourse were made to Factoring companies for an overall amount of € 163.3 million, of which € 46.2 million in the fourth quarter.

At 31 December 2018 DSO was 169 days against 165 days at 30 September 2018 and 164 days at 31 December 2017. DPO, on the other hand, was 248 days, against 230 days at 30 September 2018 and 246 days at 31 December 2017. The trend of amounts collected from customers and payments to suppliers led to an overall cash flow generation (+ € 18.2 million) during

the fourth quarter, as a result of a slight increase in the time required to collect amounts from customers against a normal slowdown in the time required for payments to suppliers.

The Net Financial Position (**NFP**) showed a decrease of Euro 25.1 million during the quarter. The flows generated from operating activities in the quarter (€ 8.0 million) must be algebraically added to the cash inflows arising from the change in NWOC (+ € 18.2 million) and to the uses of resources for net industrial investments (€ 11.7 million). On the other hand financial investments generated a positive flow of € 10.7 million, mainly due to the sale of the majority of the quotas of MFM Capital S.r.l. to 3iEOPF for a consideration of € 9.1 million paid on the closing date and a deferred price of € 5.0 million, an amount of € 2.7 million of which is expected to be collected in 2019, stated in Current financial assets.

Moreover, there was a positive cash flow of € 1.2 million due to other changes that occurred in other operating assets and liabilities in the quarter, and in particular in connection with the trend in net VAT credit balances of the Group companies (which decreased by € 2.3 million, even against assignments without recourse for € 7.7 million in the quarter), as well as with the seasonal trend in payables to/receivables from employees and related tax and social security withholdings (which increased by € 2.4 million following the payment of the Christmas bonuses in December and the holidays taken). Finally, uses of provisions for future risks and charges and the provision for employee termination benefits for € 1.3 million were recognised during the quarter.

2. BUSINESS DEVELOPMENT

In 2018 the Group brought orders for an overall multi-year amount of € 647.5 million, of which € 309.2 million relating to extensions and renewals of contracts already included in its sales portfolio.

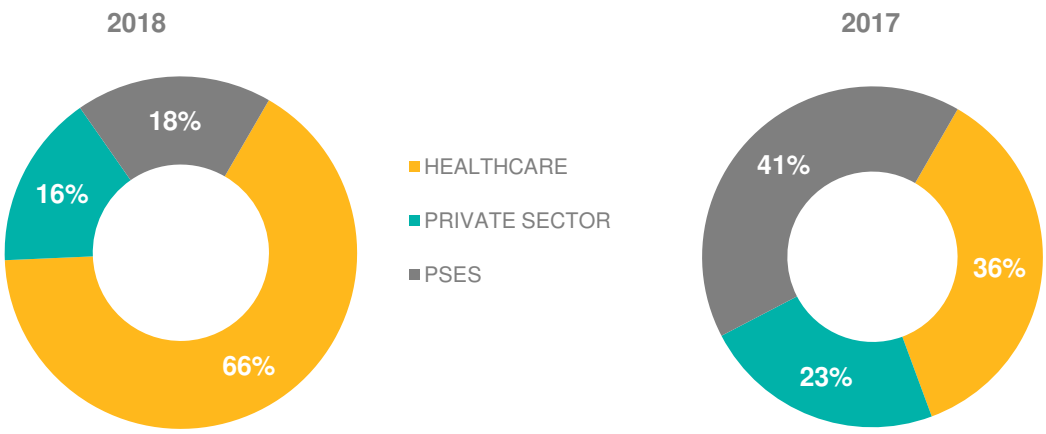
As in the past, these data regard only long-term contracts obtained in the context of services for "traditional" facility management", for linen rental and for laundry services as well as for the sterilization of surgical instruments, as well as of "B2B" technology services of e-Digital Services S.r.l.. On the contrary, the figure does not include the commercial portfolio of the companies of the sub-Group owned by Sicura S.p.A., whose contracts have an average term of less than one year. However, these companies have a not particularly significant impact on consolidated production volumes (about 4% in 2018).

New contracts in the Healthcare sector, equal to € 430.1 million in the year, accounted for a major share of the total (an overall 66%), against orders gained for the Public sector for € 113.8 million and in the Private sector for € 103.6 million.

Specifically, on 20 September 2017 Rekeep S.p.A signed with Consip S.p.A. the agreements for the two batches of the "MIES 2" tender relating to the award of an Integrated Technology Multi-Service with energy supply for buildings used by Public Health Administrations. The two batches concerning respectively the regions of Calabria and Sicily (Ordinary batch 12) and the regions of Veneto, Friuli Venezia Giulia, Trentino Alto Adige, to which the Lombardy's provinces of Bergamo, Brescia, Lecco, Como and Sondrio are added (Accessory batch 14). The Agreements had a term of two years whereas each implementation contract that may be signed by Public Authorities in such a time span may have a term of 5/7 years, at the discretion of the Authorities, starting from the activation of each supply, with a total limit of Rekeep S.p.A., that, for the period indicated, can be extended up to approximately € 250 million. The signing of supply orders relating to ordinary lot 12 and additional lot 14 entailed new portfolio acquisitions of about € 184 million (included in the overall values of new orders described above) during the period, to which must be added orders amounting to about € 5 million which were already signed in December 2017.

In the same market Rekeep S.p.A. also renewed energy service agreements through the Intercenter Agreement at some of the major Local Health Units (AUSL) in Emilia Romagna.

CONTRACTS ACQUIRED BY MARKET



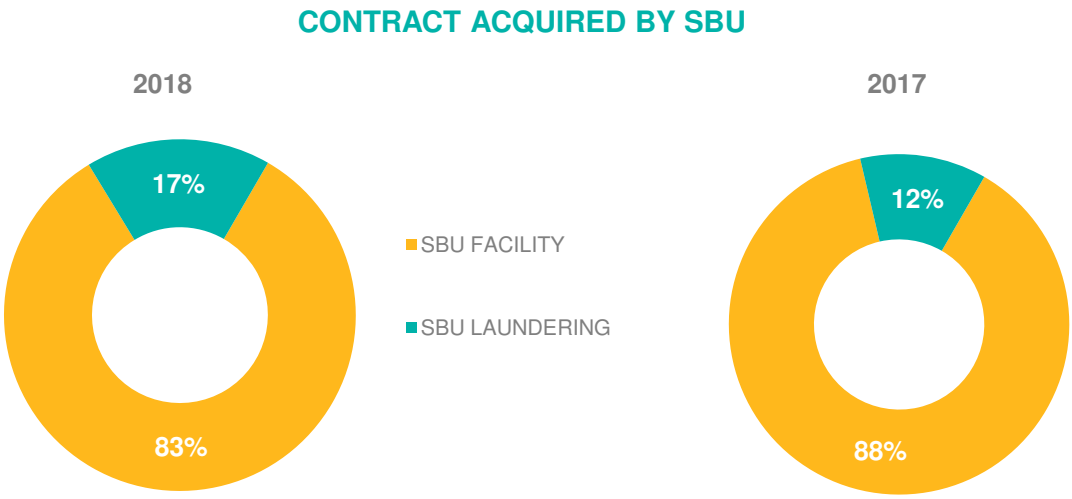
Finally, the Group was awarded a major 5-year contract, through Servizi Ospedalieri S.p.A., for linen rental and industrial laundering services in the Healthcare sector, to be delivered to the healthcare units that are members of Umbria Salute S.c.a.rl. in Umbria region. Furthermore the Group was awarded three-year linen rental and industrial laundering services at the KOS Care units in Lombardy, Veneto, Emilia Romagna and Marche.

Furthermore, the term of regional lots was extended for the orders for cleaning services to be delivered to Trenitalia S.p.A. relating to Lombardy, Piedmont and Calabria in the national Public sector. New orders were also gained for maintenance services to be delivered to the Provincial Reggio Emilia government and for energy services at the Municipality of Valsamoggia, in the form of 15-years service concessions, as well as at schools in Bologna within the scope of the regional agreement for energy services.

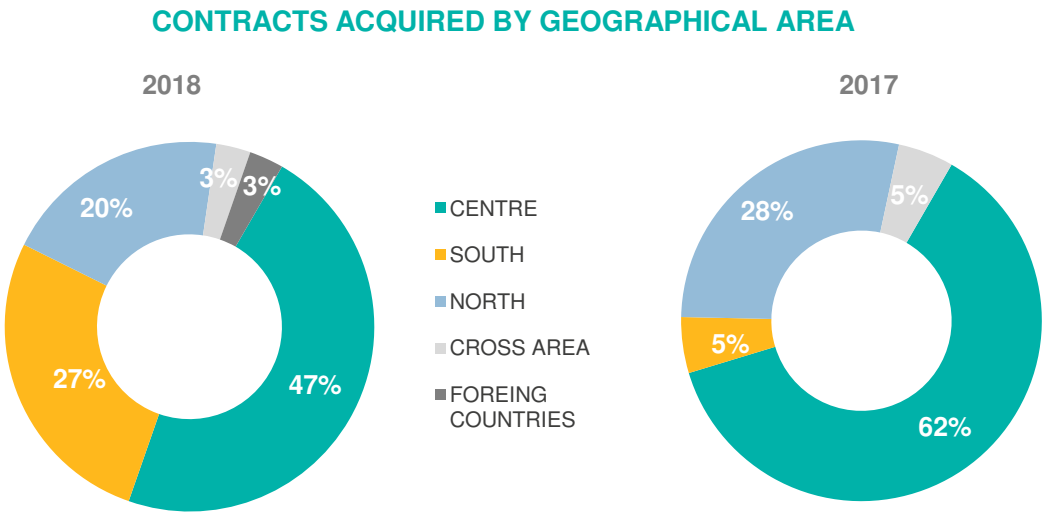
Moreover, positive signs were reported in international markets (in particular in France), where the Group was awarded 3-year contracts for cleaning services on behalf of SNCF (the leading national operator for the management of railway transport services) in Montrouge (Paris) for expected total revenues of about € 14 million in 4 years, with the possibility of extending the term by an additional year. The services were started to be delivered during the second quarter of 2018. The subsidiary Rekeep United gained and started 2-year cleaning services at some Universities in Turkey, for an overall long-term amount of € 1.9 million.

Finally, the new contracts for the year in the Private sector amounted to € 52 million (11% of total). Among the most significant orders gained were the renewals of some cleaning contracts at Large-scale retail (GDO) outlets (Carrefour and Coop Alleanza 3.0) and maintenance contracts at Auchan stores. Furthermore, cleaning contracts were gained and renewed for entities in the insurance and banking sectors, such as the Unipol Group and Cariparma-Crédit Agricole.

Regarding the orders gained in the period in terms of Strategic Business Unit ("SBU"), *Facility Management* obtained contracts of € 536.8 million (of which € 184 million related to the abovementioned Consip MIES 2 agreement) while *Laundering&Sterilisation* obtained contracts of € 110.6 million. Any and all orders gained in the Private sector were part of the *Facility Management* SBU.



Furthermore, below is a description of the geographical distribution of the new orders in the business portfolio gained during the year:

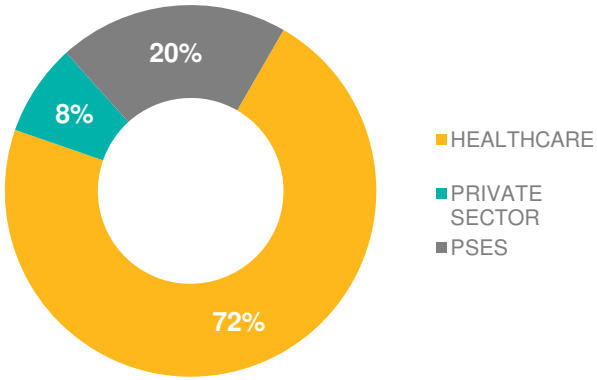


Backlog

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

	2018	2017	2016
Backlog	2,599	2,608	2,845

BACKLOG BY MARKET



3. PERFORMANCE OF OPERATIONS AND CONSOLIDATED FINANCIAL POSITION FOR THE 2018 FINANCIAL YEAR

3.1 Consolidated performance of operations for FY 2018

Below are reported the main income figures relating to 2018 compared to the figures of 2017:

(in thousands of Euro)	For the year ended 31 December		For the quarter ended 31 December	
	2018	2017	2018	2017
Revenues	949,882	918,091	263,138	253,632
Costs of production	(860,427)	(829,484)	(238,150)	(238,985)
EBITDA	89,455	88,607	24,988	14,647
EBITDA %	9.4%	9.7%	9.5%	5.8%
Amortization, depreciation, write-downs and write-backs of assets	(31,122)	(30,280)	(7,673)	(8,952)
Accrual and reversal of provisions for risks and charges	(2,584)	(143)	(1,952)	621
Operating Income (EBIT)	**55,749**	**58,184**	**15,363**	**6,316**
EBIT %	**5.9%**	**6.3%**	**5.8%**	**2.5%**
Share of net profit of equity-accounted companies	1,466	(1,945)	265	(2,974)
Net financial charges	(32,946)	(39,514)	(11,186)	(18,148)
Profit before taxes (EBT)	**24,269**	**16,725**	**4,442**	**(14,806)**
EBT %	**2.6%**	**1.8%**	**1.7%**	**N.A.**
Income taxes	(8,426)	(16,010)	920	(2,392)
Profit from continuing operations	**15,843**	**715**	**5,362**	**(17,198)**
Profit (loss) from discontinued operations	0	0	0	0
CONSOLIDATED NET PROFIT (LOSS)	**15,843**	**715**	**5,362**	**(17,198)**
CONSOLIDATED NET PROFIT (LOSS) %	**1.7%**	**0.1%**	**2.0%**	**N.A.**
Minority interests	(109)	(73)	32	(24)
NET PROFIT (LOSS) FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERDS OF THE PARENT	**15,734**	**642**	**5,394**	**(17,222)**
NET PROFIT (LOSS) FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERDS OF THE PARENT %	**1.7%**	**0.1%**	**2.0%**	**N.A.**

On 1 July 2018 the merger became effective for the incorporation into Rekeep S.p.A. of its direct parent company CMF S.p.A., which had been established by Manutencoop Società Cooperativa in 2017 for the purpose of launching the Senior Secured Notes bond issue, as already described in the Preamble to this report. The consolidated income statement, therefore, was affected by higher financial costs arising from the transfer of the bond debt (equal to € 360 million) to Rekeep S.p.A. from the third quarter of 2018, following the above-mentioned merger and the consequent repayment of the Proceeds Loan granted by CMF within the refinancing transaction (equal to € 174.2 million at the date of the merger). On the other hand, the vehicle CMF S.p.A. did not carry out activities additional to the work envisaged in the rules governing the bond issue and, therefore, there were no significant impacts on the merging company's operating results (Revenues, EBITDA and EBIT).

NON-RECURRING EVENTS AND TRANSACTIONS

In 2018 the Rekeep Group recognised, in the Statement of profit or loss, some "non-recurring" financial items which impacted on the normal dynamics of consolidated results. Pursuant to CONSOB Communication DEM/6064293 of 28 July 2006, "*significant non-recurring events and transactions*" mean events or transactions whose occurrence is non-recurring, i.e. those transactions or events that are not repeated frequently as part of normal operations and have a significant impact on the Group companies' financial position, results of operations and cash flows.

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

(in thousands of Euro)	For the year ended 31 December	
	2018	2017
Legal advice on pending administrative disputes	241	428
Structural reorganisation consulting fees	2,425	3,418
Rebranding Project	3,904	
M&As and extraordinary transactions by Group companies	2,092	
Compensation for damages from Consip S.p.A.	(4,274)	
"*Oneri di sistema*" charges relating to previous years		(6,152)
Manutencoop Group refinancing costs		4,332
Non-recurring bonus linked to the refinancing transaction		3,809
Non-recurring expenses (income) impacting on EBITDA	**4,388**	**5,836**
Provisions for corporate reorganisation		1,276
Reversal for contractual liability to associates		(1,901)
Non-recurring expenses (income) impacting on EBIT	**0**	**(625)**
Financial fees on the refinancing of the Manutencoop Group		740
Reversal of amortised cost of Senior Secured Notes 2013		4,368
Costs for early redemption of Senior Secured Notes 2013		6,480

(in thousands of Euro)	For the year ended 31 December	
	2018	2017
Non-recurring expenses (income)	**0**	**11,588**
TOTAL NON-RECURRING EXPENSES (INCOME)	**4,388**	**16,799**

During 2018 the Group implemented a major project for the renewal of its brand and of its visual identity which led, among other things, to changing the company name of Parent Company Manutencoop Facility Management S.p.A. to Rekeep S.p.A., after the effective date of the merger with CMF S.p.A. (as from 1 July 2018). The aforesaid merger, which is envisaged in the rules governing the bond issue that was placed by CMF S.p.A. itself during 2017, also entailed specialist advice costs due to the necessary legal proceedings and to the combination of the companies taking part in the merger.

Moreover, during the year, some Group companies started extraordinary operations aimed at enhancing the value on the capital market, which have not yet been concluded and which, however, have entailed significant costs for specific consultancy advice. In addition, some M&A transactions were conducted that led to the consolidation of new entities as early as during the year (EOS and Medical Device in particular) and scouting and due diligence operations were launched on the international market, which are expected to be completed in 2019.

The charges arising from the refinancing of the Manutencoop Group were incurred during 2017 and related to consulting and advisory costs sustained within the transaction carried out by the direct controlling company CMF S.p.A.. This is the vehicle through which Manutencoop Società Cooperativa has started a complex project for the corporate reorganisation of its Group, mainly aimed at repurchasing the total shares of the main subsidiary MFM S.p.A. (now Rekeep S.p.A.) and refinancing its own consolidated debt. Specifically, CMF S.p.A. invoiced total transaction costs of € 2.9 million back to its subsidiary, in proportion to the bond issue proceeds that had been guaranteed (equal to 52.86% of the total issue) and according to the mandate received by the same for the structuring of this transaction.

Furthermore, during 2017 non-recurring operating and financial costs were sustained in relation to the early redemption of the Senior Secured Notes issued by MFM S.p.A. in 2013, initially due 2020, in addition to the accounting effects of the repayment of these Notes linked to accounting for additional issue costs according to the amortised cost method.

Consolidated Adjusted EBITDA and EBIT are thus represented as follows:

(in thousands of Euro)	For the year ended 31 December	
	2018	2017
EBITDA	89,455	88,607
Non-recurring charges (income) impacting on EBITDA	4,388	5,836
Adjusted EBITDA	**93,843**	**94,443**
Adjusted EBITDA % on Revenues	**9.9%**	**10.3%**
EBIT	55,749	58,184

(in thousands of Euro)	For the year ended 31 December	
	2018	2017
Non-recurring charges (income) impacting on EBITDA and on EBIT	4,388	5,211
Adjusted EBIT	**60,137**	**63,395**
Adjusted EBIT % on Revenues	**6.3%**	**6.9%**

As early as from 2016, the Group also undertook to diversify its target markets by establishing the sub-holding Rekeep World S.r.l. (formerly: Manutencoop International FM S.r.l.) as a vehicle dedicated to business development on international markets and Yougenio S.r.l., a subsidiary active in the B2C market through an e-commerce platform. These new initiatives are still in the start-up phase and contribute negatively to the consolidated results for the year. The increase in the start-up volumes in 2018 is not sufficient to achieve the break-even on the one hand, and, on the other the increase in fixed costs to support growth entailed an increase in absolute terms in the negative contribution of the same to the consolidated results.

Therefore, consolidated Normalized EBITDA and EBIT - which exclude this negative contribution - are shown below:

(in thousands of Euro)	For the year ended 31 December	
	2018	2017
ADJUSTED EBITDA	**93,843**	**94,443**
Adjusted EBITDA related to start-up activities	7,467	5,897
NORMALIZED EBITDA	**101,309**	**100,340**
NORMALIZED EBITDA % on Normalized Revenues	**10.8%**	**10.9%**
ADJUSTED EBIT	**60,137**	**63,395**
Adjusted EBIT related to start-up activities	8,257	6,050
NORMALIZED EBIT	**68,394**	**69,445**
NORMALIZED EBIT % on Normalized Revenues	**7.3%**	**7.6%**

REVENUES

In 2018 the Group recorded Revenues of € 949.9 million compared to € 918.1 million in 2017 (+ € 31.8 million, equal to +3.5%). The 2018 financial year represented a turning point in the volume trend, which showed a sharp recovery compared to the performance of previous years.

In particular, as from April 2018 consolidated volumes benefited from the positive contribution given by the services delivered under the MIES2 Agreement (+ € 16.1 million), while 2018 saw the full operation of the “cleaning services on board night trains” managed on behalf of Trenitalia S.p.A., which were started only in September 2017 only (+ € 13.4 million). “Specialist services”

also gave a positive contribution to the growth in consolidated volumes; in particular the sub-group controlled by Sicura S.p.A., which achieved higher revenues for € 3.3 million, mainly against an improved performance recorded in the sector of machinery upgrade and protection. Finally, 2018 saw the recognition of revenues for foreign start-up companies in France and Turkey and of the positive contribution given by the line-by-line consolidation of EOS operating in Turkey (for a total of € 5.4 million) as from the second quarter in 2018.

The breakdown of consolidated Revenues in 2018 is provided below, compared to the previous year, broken down by Market. On 23 November 2018 Consip S.p.A. paid Rekeep S.p.A. an amount of € 4.3 million, by bank transfer, as compensation for the damage suffered by the same within a tender launched by Consip S.p.A. in 2010. This income was recognised under "Other revenues" separately since it was regarded as non-recurring income, which was not included in Adjusted and Normalized values.

REVENUES BY MARKET

(in thousands of Euro)	For the year ended 31 December				For the quarter ended 31 December	
	2018	% of total Revenues	2017	% of total Revenues	2018	2017
PSEs	249,056	26.2%	250,309	27.3%	68,168	77,076
Healthcare	465,355	49.0%	443,435	48.3%	128,273	116,065
Private sector	231,197	24.4%	224,347	24.4%	62,423	60,491
(non-recurring) Compensation for damages	4,274	0.4%	0		4,274	0
CONSOLIDATED REVENUES	**949,882**		**918,091**		**263,138**	**253,632**

The volumes recorded in the Public Authorities sector showed a slight decrease of € 1.3 million compared to 2017. Specifically, this is the market in which the major contracts were performed in relation to the services delivered to Trenitalia and in particular the abovementioned "cleaning services on board night trains" which were started at the end of September 2017 only. The activities carried out for SNCF in France from the second quarter of 2018 are also included in this market sector (€ 3.0 million).

On the other hand, 2018 saw a significant decrease in revenues relating to some agreements for previous years, which had come to an end or had been extended until new awards (including Consip Uffici, Consip Sie2 and Consip Scuole), in addition to some specific contracts (e.g. ATAC Roma Lot 2).

The turnover in the Healthcare market (which includes public or private healthcare establishments) showed on the contrary a significant increase of € 21.9 million, compared to a relative weight on total that increased from 48.3% of consolidated Revenues in 2017 to 49.0% in 2018. The turnover in the Healthcare sector was significantly affected by the contribution given by the MIES2 agreements, equal to € 16.1 million. On the other hand, this market saw the acquisition of the Turkish company EOS which contributed € 2.4 million to consolidated revenues as from the second quarter of 2018. On the other hand, it was

affected by the adverse impact of some significant facility management contracts completed, including that for the Ancona Hospital.

An opposite trend compared to the values posted during the most recent financial years was also recorded in the Private sector, which showed clear signs of recovery (+ € 6.9 million compared to 2017). Specifically, specialist services showed a positive change to the growth trend (+ € 3.5 million, mainly due to the good performance in the segment of safety management products and systems concerning the sub-group Sicura S.p.A. (+ Euro 5.9 million), mainly against a significant performance in the segment of machinery upgrade and protection. The development of the start-up Yougenio also contributed to the growth in the volumes in the Private market, showing higher Revenues of € 2.1 million compared to the previous year. However, in terms of weight on total consolidated turnover, the Revenues in the Private market remained substantially unchanged (24.4% in both comparative years).

Analysis of revenues by Segment

A comparison of Group Revenues by business segment is provided below. The business segments were identified on the basis of IFRS 8 and correspond to the following business areas: "Facility Management" and "Laundering & Sterilization".

REVENUES BY SEGMENT

(in thousands of Euro)	For the year ended 31 December				For the quarter ended 31 December	
	2018	% of total Revenues	2017	% of total Revenues	2018	2017
Facility Management	824,966	86.8%	790,346	86.1%	230,874	221,790
of which Compensation for damages (non recurring)	*4,274*					
Laundering & Sterilization	127,443	13.4%	130,515	14.2%	32,853	32,615
Eliminations	(2,527)	-0.3%	(2,770)	-0.3%	(589)	(773)
CONSOLIDATED REVENUES	**949,882**		**918,091**		**263,138**	**253,632**

The breakdown of turnover by operating segments shows a significant increase in Facility Management volumes (+ € 34.6 million), with a relative weight on the consolidated total which remained substantially in line with the previous year (86.8% against 86.1% in 2017).

This SBU fully included both the change in Revenues from Public Authorities (- € 1.3 million) and the positive delta shown in the Private sector (+ € 6.9 million). Furthermore, this is the SBU within which contracts were performed for the start-up companies in the French and Turkey markets and there was the acquisition of EOS (contributing a total turnover of € 5.4 million), as well as Yougenio (+ Euro 2.1 million). Furthermore, note the positive contribution given to the volumes under some service concession agreements managed by Rekeep S.p.A. (+ € 1.4 million), and in particular the 15-year agreement entered into with

the municipality of Casalecchio di Reno (province of Bologna), which was started during 2018, for the integrated management of thermal energy and public lighting in the municipal district.

At the consolidated level, the *Laundering&Sterilisation* sector showed a negative contribution (- € 3.1 million, equal to - 2.4%), recording Revenues of € 127.4 million in 2018 compared to € 130.5 million in 2017. The sector is being affected by a review of the linen rental and industrial laundering service portfolio which is not particularly favourable in terms of prices and, to a lower extent, has seen the completion of certain contracts with major hospitals. On the other hand, the third quarter saw the acquisition of Medical Device S.r.l., a company specialising in the production of procedure kits for the healthcare sector (which is complementary to the Group's offering in the field of sterilisation and which represents a rising market), which contributed revenues of € 1.9 million as from the date of acquisition.

EBITDA

The Group's EBITDA amounted to € 89.5 million in 2018, against € 88.6 million in 2017. However, EBITDA expensed non-recurring net charges amounting to € 4.4. million in 2018 (against non-recurring charges for Euro 8.7 million, net of the proceeds for the compensation for damages collected by Consip S.p.A., equal to € 4.3 million) while the non-recurring elements amounted to € 5.8 million in the previous year (against non-recurring charges of € 12.0 million, net of the extraordinary income relating to so-called "*Oneri di sistema*" charges for € 6.2 million). Therefore, Adjusted EBITDA that excluded these non-recurring elements amounted to € 93.8 million at 31 December 2018 (9.9% of Consolidated revenues) against Adjusted EBITDA of € 94.4 million at 31 December 2017 (10.3 % of Consolidated revenues).

However, it should be noted that the 2017 financial year saw the recognition of non-recurring personnel costs (and therefore not included in the 2017 Adjusted EBITDA) for a total of € 3.8 million relating to a Non-recurring bonus event linked to the Group's refinancing transaction. This bonus was considered non-recurring because it was linked to the outcome of an extraordinary transaction and disbursed on a retrospective basis in a financial year in which the incentive scheme had been discontinued for a few years. In 2018, on the other hand, the incentive plan linked to the company performance was resumed, which, having characteristics of continuity with the future, is not regarded as a one-off cost and was, therefore, not excluded from Adjusted EBITDA.

In the year just ended, the Group continued to bear start-up costs linked to the new initiatives (B2C and international development) against reduced initial business volumes, albeit growing. In 2018, the effect of these initiatives was reflected in lower EBITDA for € 7.5 million (€ 5.9 million in 2017).

Below is provided a comparison of EBITDA by segment for the financial year ended 31 December 2018 and the financial year ended 31 December 2017:

EBITDA BY SEGMENT

(in thousands of Euro)	For the year ended 31 December				For the quarter ended 31 December	
	2018	% of total Revenues	2017	% of total Revenues	2018	2017
Facility Management	59,633	7.2%	55,231	7.0%	18,110	7,610
Laundering&Sterilization	29,822	23.4%	33,376	25.6%	6,878	7,036
CONSOLIDATED EBITDA	**89,455**		**88,607**	**9.7%**	**24,988**	**14,646**

The Facility Management sector showed higher EBITDA of € 4.4 million, from € 55.2 million in 2017 to € 59.6 million in 2018. After deducting the abovementioned non-recurring items from sector EBITDA which affected, either positively or negatively, the results recorded during the two comparative years (a net charge of € 4.4 million in 2018 against a net charge of € 5.8 million in 2017), there was an increase of € 3.2 million in adjusted sector EBITDA, with % profit margins on the sector's Revenues unchanged which increased from 7.7% in 2017 to 7.8% in 2018. The values for the sector also include the start-up operations of Yougenio and those started in foreign countries, which recorded EBITDA (including non-recurring charges) which were more negative for € 1.6 million compared to the previous year. The good performance in the sector was then linked to the higher sector volumes described above (+ € 30.3 million), on the one hand, and, on the other, given that these higher volumes are recorded with lower profit margins compared to the portfolio average due to ongoing price pressure, ongoing production cost efficiency actions, together with overhead cost efficiency/reduction actions that have characterised the Group's operations for some years now.

EBITDA in the *Laundering&Sterilization* segment in 2018 amounted to € 29.8 million, down by € 3.6 million compared to € 33.4 million in 2017. Profit margins on relevant Revenues by segment came to 23.4% compared to 25.6% at 31 December 2017.

The acquisition of Medical Device S.r.l., which took place at the beginning of the third quarter of 2018, also contributed, from the date of acquisition, positive EBITDA of € 0.2 million. Furthermore higher positive settlement balances in linen rental and industrial laundering services and ISTAT (Italian Statistics Institute) adjustments of € 0.4 million were recorded in 2018 compared to 2017.

However, the performance of EBITDA by segment was due to the reduction recorded in volumes described above (- € 3.6 million), mainly due to a concentration of renewals of linen rental and industrial laundering contracts, which were awarded once again at lower prices as from the second half of 2017, thus anticipating the effects of the efficiency improvement actions taken by the production units.

Costs of production

At 31 December 2018, Costs of production, which amounted to € 860.4 million, showed an increase of € 30.9 million in absolute terms compared to Euro 829.5 million posted at 31 December 2017 (+3.7%). This change was partly due to the

recognition of the abovementioned contingent asset on the "*Oneri di Sistema*" charges (€ 6.2 million, stated in "Other operating costs", net of which the increase would be equal to € 27.8 million) in 2017.

(in thousands of Euro)	For the year ended 31 December				For the quarter ended 31 December	
	2018	**% of total**	**2017**	**% of total**	**2018**	**2017**
Costs of raw materials and consumables	140,144	16.3%	119,742	14.3%	40,590	34,982
Change in inventories of finished and semi-finished products	(43)	0%	0	N.A.	(62)	0
Costs for services and use of third-party assets	325,258	37.8%	328,258	39.3%	93,045	95,308
Personnel costs	392,548	45.6%	382,138	45.7%	103,863	105,949
Other operating costs	6,660	0.8%	6,433	0.8%	2,308	2,838
Lower costs for internal work capitalised	(4,140)	N.A.	(935)	N.A.	(1,594)	(2)
COSTS OF PRODUCTION	**860,427**	**100%**	**835,636**	**100%**	**238,150**	**238,985**
Other operating costs - *Oneri di sistema*	0		(6,152)		0	0
TOTAL COSTS OF PRODUCTION	**860,427**		**829,484**		**238,150**	**238,985**

Costs of raw materials and consumables in 2018 amounted to € 140.1 million, up by € 20.4 million compared to the value posted in 2017. This entailed an increased incidence on Total costs of production (16.3% at 31 December 2018 against 14.3% at 31 December 2017, net of effect of "*Oneri di sistema*" charges). The increase was related to the consumption of fuels for € 7.5 million, as well as of materials and energy for € 12.9 million, mainly as a result of a different mix of services rendered compared to the previous year (for example, the start of operations for contracts under the MIES2 agreements) and the consequent use of various production factors.

Costs for services and use of third-party assets in 2018 showed a decline compared to 2017, with a lower impact on total Costs of production from 39.3% to 37.8%. In particular, a reduction of € 6.9 million was recorded in the items relating to third-party and professional services, in addition to costs from consortia, which are typically linked to the acquisition of external production factors as a result of the mix of services being delivered and of any possible resulting make-or-buy choices. Furthermore, note that in 2018 production activities were started in foreign countries (in particular in France and in Turkey), which entailed higher costs for services for € 1.4 million against the operations started on new contracts.

Finally, the item recognised a significant amount of one-off costs, mainly linked to the rebranding project (such as firstly the relocation of corporate assets, advertising and promotion costs) and to consultancy advice on extraordinary transactions carried out by some Group companies.

Personnel costs showed an increase in absolute terms (€ 392.5 million at 31 December 2018 against € 382.1 million at 31 December 2017), which was also due to the increase recorded in revenues from environmental hygiene services which have on average a higher impact of labour costs compared to costs for services, as well as to the start of operations on highly work intensive contracts at an international level. However, they remained substantially unchanged in terms of impact on total Costs of production (45.6% at 31 December 2018 against 45.7% at 31 December 2017).

The average number of employees in service during 2018 was equal to 16,452 while it was 16,235 in the previous year (of which 15,197 versus 14,947 manual workers). As it was said for costs for services and for materials, the trend in the number of Group employees, and in particular manual workers, was closely related to the mix of services being delivered, as well as to the impact of related costs on total operating costs. The new hires for starting production activities in foreign countries during 2018 entailed an impact on personnel costs for € 3.9 million against a substantial lack of development in 2017.

Other operating costs at 31 December 2018 amounted to € 6.7 million, while they were positive and equal to € 0.3 million at 31 December 2017. In fact, the Parent Company Rekeep S.p.A. recorded operating liabilities for € 6.2 million until 31 December 2016, related to some energy service contracts and to "*Oneri di sistema*" charges". These were envisaged in Decree Law 91/2014 as converted with amendments by Law 116/2014 and in the related implementing decree issued in 2015. On 23 February 2017, the Chamber of Deputies followed up the final approval of the "*Milleproroghe* Decree", whose amendments have had an impact on the existing regulations governing "*Oneri di sistema*" charges; in particular, the regulation was abrogated, according to which, except for RIUs (Internal Utility Networks), general "*Oneri di sistema*" charges were determined, starting from 2014, with reference to the consumption of electricity, thus substantially re-establishing the regulation previously in force, contained in the Bersani Decree (Legislative Decree 79/99). Therefore, on the basis of the amended regulations, the management of Rekeep S.p.A. believed that there was no need to recognise additional "*Oneri di sistema*" charges in 2017, while implementing the elimination of the payment obligations for those related to previous years and recognising the contingent asset of € 6.2 million for the entire payable that had been recorded at the end of the previous year. Net of this accounting item recognised in 2017, *Other operating costs* did not show any significant change (+ € 0.2 million), including significant costs arising from the rebranding project for promotional initiative and related entertainment expenses in this case too.

Finally, a portion of *costs for internal work capitalised* of € 4.1 million were recorded at 31 December 2018 (€ 0.9 million at 31 December 2017), relating to some service concession agreements managed by Rekeep S.p.A., which provide for the initial construction of long-term works. The positive change (+ € 3.2 million) was mainly due to the 15-year service concession agreement with the Municipality of Casalecchio di Reno (Bologna), which started in 2018, for the integrated management of thermal energy and public lighting in the municipal district.

Operating Income (EBIT)

In 2018 consolidated Operating Income (**EBIT**) stood at € 55.7 million (5.9% of Revenues) against € 58.2 million (6.3% of Revenues) during 2017.

EBIT was affected by the above-mentioned consolidated performance in terms of EBITDA (+ € 0.8 million), from which amortization and depreciation of € 27.8 million (€ 26.8 million at 31 December 2017), accruals to provisions for risks and charges (net of reversals) of € 2.6 million (€ 0.1 million at 31 December 2017) as well as write-downs of receivables and reversals of € 3.0 million (against € 3.2 million at 31 December 2017) must also be deducted. Furthermore, Other impairment losses of € 0.3 million were recognised (unchanged compared to 31 December 2017) and relating to the write-down of other operating non-trade receivables.

EBIT of 2018 and 2017 recorded the non-recurring items already described for EBITDA, to which must be added, for 2017 EBIT, the (non-recurring) release of a provision for risks set aside in the previous year in relation to a dispute involving an associate with which the Parent Company has services agreements in being, providing for the servicer's possible contractual liability. During 2017 this dispute was settled on favourable terms, with a significant reduction in terms of outlay for the company concerned and a net release of the provision for risks of € 1.9 million. Moreover, non-recurring accruals of € 1.3 million were also recorded in 2017, which were linked to a corporate restructuring and reorganisation process that involved some legal entities that operate in the market of safety and fire-fighting systems.

Adjusted EBIT then came to € 60.1 million and € 63.4 million at 31 December 2018 and 31 December 2017 respectively, with relative profit margins (Adjusted EBIT/Revenues) equal to 6.3% and 6.9% respectively, in the financial years under comparison.

Below is a comparison of Operating Income (EBIT) by segment in 2018 with values relating to the previous year.

EBIT BY SEGMENT

(in thousands of Euro)	For the year ended 31 December				For the quarter ended 31 December	
	2018	% of Revenues	2017	% of Revenues	2018	2017
Facility Management	42,112	5.1%	41,382	5.2%	11,402	3,033
Laundering&Sterilization	13,637	10.7%	16,801	12.9%	3,961	3,283
CONSOLIDATED EBIT	**55,749**	**5.9%**	**58,184**	**6.3%**	**15,363**	**6,316**

The EBIT in the *Facility Management* segment came to € 42.1 million (5.1% of related segment Revenues) at 31 December 2018, against EBIT of € 41.4 million (5.2% of related segment Revenues) at 31 December 2017 and therefore with a net positive change equal to + € 0.7 million. However, the adjusted values showed adjusted EBIT by segment unchanged (€ 46.4 million at 31 December 2018 against € 46.3 million at 31 December 2017, after net non-recurring costs of € 4.3 million and € 4.9 million respectively), and operating profit margins from 5.9% in 2017 to 5.7% in 2018.

The comparison firstly reflects the abovementioned performance in terms of Adjusted EBITDA (+ € 3.2 million) to which must be added higher amortisation and depreciation for € 0.2 million (specifically due to investments in hardware and software infrastructure) and lower write-downs of trade receivables for € 0.6 million. Furthermore, higher net accruals to provisions for future risks and charges were recognised for € 3.5 million (after net non-recurring releases of € 0.6 million in 2017). Finally, the

sector recorded a negative difference in terms of adjusted EBIT of the start-up companies (Yougenio and the International division) for € 2.1 million.

To the EBITDA performance in the *Laundering&Sterilization* sector in 2018 (- € 3.4 million compared to the previous year) must be added, at sector EBIT level, amortisation and depreciation for € 17.6 million (€ 16.7 million in 2017, mainly relating to the linen in the linen rental and industrial laundering segment), write-downs of receivables for € 0.2 million (a release of € 0.2 million at 31 December 2017) and net releases on provisions for future risks and charges for € 1.6 million (net accruals for € 0.1 million at 31 December 2017), in connection with some previous risk situations that found a positive solution during the year. The profit margins by sector stood at 10.8% in term of adjusted EBIT on related Revenues (13.1% at 31 December 2017).

Profit before taxes

To the consolidated EBIT must be added the net income of companies valued at equity, equal to € 1.5 million (against a net charge of € 2.0 million at 31 December 2017, which reflected the negative result of associate Roma Multiservizi S.p.A. for the recognition, in its financial statements, of considerable write-downs of receivables claimed from one of the major customers following the start of an insolvency procedure). Furthermore, there was the recognition of net financial charges of € 32.9 million (€ 39.5 million at 31 December 2017), thus obtaining a Profit before taxes equal to € 24.3 million at 31 December 2018 (€ 16.7 million at 31 December 2017).

Below is provided the breakdown by nature of net financial charges for the 2018 and 2017 financial years:

(in thousands of Euro)	For the year ended 31 December		For the quarter ended 31 December	
	2018	2017	2018	2017
Dividends, income (charges) from sale of equity investments	(843)	175	(1,333)	0
Financial income	1,597	3,762	356	2,629
Financial charges	(33,544)	(43,125)	(10,357)	(20,454)
Profit (loss) on exchange rate	(156)	(326)	138	(323)
NET FINANCIAL CHARGES	**(32,946)**	**(39,514)**	**(11,186)**	**(18,148)**

During 2018 dividends were collected from non-consolidated companies for € 0.6 million (€ 0.2 million at 31 December 2017), to which must be added costs for the sale of investments of € 1.5 million. The latter were specifically linked to the transfers of MFM Capital S.r.l. to the 3i EOPF fund and of Progetto ISOM S.p.A. to Sinloc – Sistema Iniziative Locali S.p.A. and arose from consolidation adjustments allocated to some project finance companies invested in by the transferred holding company, for which the consolidated value was different compared to the statutory carrying amount (stated at the historical acquisition cost). The separate financial statements of Rekeep S.p.A. report, in fact, capital gains on disposal of investments (net of additional charges for the transaction) for € 2.6 million.

Financial income showed a decrease of € 2.2 million compared to the previous year, when there was the recognition of a considerable default interest income (€ 2.5 million), which arose at the time of the settlement of a specific previous credit position of the Parent Company. Furthermore, foreign exchange losses of € 0.1 million were recognised at 31 December 2018 (€ 0.3 million at 31 December 2017), mainly due to the fluctuations in the Turkish Lira exchange rate during the year.

In 2018 the impact of *financial charges* on the consolidated results of operations for the year was equal to € 33.5 million against € 43.1 million in 2017.

With respect to the two comparative periods, the financial debt structure reported significant changes, arising from the abovementioned Refinancing that Manutencoop Group implemented in the last quarter of 2017 and which led the Parent Company to make an early redemption of the Senior Secured Notes bond issue (launched during 2013 for a residual nominal amount of € 300 million, initially due 2020 and with a six-monthly coupon and annual interest rate 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 (at an annual interest rate of 9%). As already noted, 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 had been paid off and the title to the Senior Secured Notes was transferred to Rekeep S.p.A. with effect from said date.

The financial charges accrued on the Proceeds Loan came to € 7.9 million during the first half of 2018 (€ 3.6 million in 2017), to which must be added financial charges of € 8.1 million directly accrued for Rekeep S.p.A. on the Notes during the second half-year. On the contrary, financial charges on the coupons accrued for € 22.0 million on the redemption date on the Notes issued during 2013 and paid off during 2017. Finally, non-recurring costs of € 6.5 million were recognised in 2017 in relation to the redemption price set in the rules of the cancelled Senior Secured Notes (€ 6.4 million) and the negative interest accrued with respect to the repayment of the capital quota to bondholders (€ 0.1 million).

CMF S.p.A. also sustained additional costs for the issue, charged back to Rekeep S.p.A. in proportion to the proceeds reserved for it as Proceeds Loan (equal to 52.86% of total issue). These additional costs were accounted for according to the amortised cost method, which gave rise to amortisation costs of € 0.8 million (€ 1.0 million in 2017) until the date of repayment of the Proceeds Loan itself, to which must be added an amount of € 1.6 million as from the effective date of the merger on the additional charges stated against the Senior Secured Notes. During the previous year costs of € 5.4 million had been recognised for the amortised cost relating to the Senior Secured Notes of 2013, of which an amount of € 4.4 million relating to the reversal of the residual accounting value of additional charges to be amortised and stated for the issue following the early repayment of the loan.

At the same time as the bond issue, CMF S.p.A. also entered, as the Parent Company, into a Super Senior Revolving loan agreement for € 50 million ("RCF"), to which Rekeep S.p.A. is a party as Borrower. In 2017 CMF S.p.A. charged all financing costs (equal to € 1.0 million) back to Rekeep S.p.A., which will be also amortised on a straight-line basis throughout the entire term of the credit facility (no drawdown had been requested on the reporting date). The cost relating to this line of credit amounted to € 0.7 million in 2018 (including the commitment fees charged by banks) against € 0.1 million in 2017.

Finally, interest discount costs were recognised for € 3.0 million during 2018 in relation to the assignment of receivables without recourse carried out with Banca Farmafactoring and Banca IFIS (€ 1.9 million at 31 December 2017).

Consolidated net result

From the Profit before taxes of the financial year (€ 24.3 million) must be deducted taxes of € 8.4 million, thus obtaining a Net Result of € 15.8 million (€ 0.7 million at 31 December 2017). The table below reports a breakdown of the consolidated tax rate:

(in thousands of Euro)	For the year ended 31 December	
	2018	2017
Profit before taxes	**24,269**	**16,725**
Current IRES tax	(3,122)	(7,763)
Current IRAP tax	(4,206)	(4,064)
Adjustments to current taxes related to previous financial years	837	878
Current taxes	**(6,491)**	**(10,949)**
Prepaid and deferred IRES tax	(1,861)	(4,756)
Prepaid and deferred IRAP tax	(181)	(272)
Adjustments to prepaid and deferred taxes related to previous financial years	107	(32)
Prepaid and deferred taxes	**(1,935)**	**(5,061)**
Total current, prepaid and deferred taxes	**(8,426)**	**(16,010)**
Consolidated net result	**15,843**	**715**
Overall tax rate	**34.7%**	**95.7%**

The consolidated tax rate amounted to 34.7% for the year against 95.7% in 2017. Compared to a profit before taxes which increased by € 7.5 million compared to 2017, lower taxes of € 7.6 million were recognised in the year , also following the presentation by the Parent Company Rekeep S.p.A. and subsidiaries H2H Facility Solutions S.p.A. and Servizi Ospedalieri S.p.A. of the supplementary tax returns of the Forms UNICO Sc 2014-2108. Net of these proceeds (€ 6.1 million) the overall tax burden would be lower by € 1.4 million due to the substantial lack of changes in some tax components compared to the changes in the Profit before taxes. Furthermore, the consolidated tax rate would come to 59.9%.

Furthermore, lower net charges for prepaid taxed of € 3.1 million were recorded compared to 2017, given the partial write-off of deferred tax assets recognised as non-deductible financial costs during the previous year.

3.2 Analysis of the Statement of financial position as at 31 December 2018

With the effectiveness of the statutory, accounting and tax effects of the merger by incorporation into Rekeep S.p.A. of its direct parent company CMF S.p.A. (reverse merger), from 1 July 2018 the balance sheet of Rekeep S.p.A. was modified, in particular in relation to the structure of its Sources. There was in fact the transfer of the Senior Secured Notes-bond issue,

launched by CMF S.p.A. during 2017 (equal to € 360 million) to Rekeep S.p.A.; consequently, the Proceeds Loan granted by CMF S.p.A. within the refinancing transaction (equal to € 174.2 million at the date of the merger) was paid off.

Furthermore, following the merger Rekeep S.p.A. directly recognised the debt to Manutencoop Società Cooperativa relating to the Subordinated Shareholder Funding ("SSF") of € 49.7 million. This liability constituted the unpaid remaining amount of the consideration due for the investment in Manutencoop Facility Management S.p.A. (now Rekeep S.p.A.); this investment as transferred by Manutencoop Società Cooperativa to CMF S.p.A. on 13 October 2017 within the above-mentioned refinancing process, which allowed the exit of the funds that held a minority interest in its subsidiary. The SSF could be repaid within one year from the date of final repayment of the bond issue, was non-interest bearing and subordinated with respect to any other company liability, including trade payables to suppliers. On 17 December 2018 Manutencoop Società Cooperativa resolved a waiver of this receivable claimed from Rekeep S.p.A., with its consequent transfer as an increase in the subsidiary's equity.

Furthermore, the accounting effects of the transaction (as detailed in the explanatory note 3 of the Notes to the Financial Statements, to which reference should be made) entailed the recognition of a merger deficit of equal to € 33.2 million and of a negative merger reserve of € 198.3 million in Equity.

On the other hand, the vehicle CMF S.p.A. did not carry out activities additional to the work envisaged in the rules governing the bond issue and, therefore, no significant changes were reported in relation to other Uses of the merging company (NWC, NWOC and fixed assets).

The statement of Sources and Uses is reported below, showing the effects that the merger would have had on the consolidated financial statements at 31 December 2017 if the effective date had been brought forward to that date ("pro-forma CMF").

(in thousands of Euro)	**31 December 2018**	**31 December 2017**	**31 December 2017 Pro-forma CMF**
USES			
Trade receivables and advances to suppliers	417,930	429,165	429,165
Inventories	7,421	6,057	6,057
Trade payables and contract liabilities	(399,602)	(393,022)	(387,052)
Net working operating capital	**25,749**	**42,200**	**48,170**
Other elements of working capital	(61,284)	(60,865)	(61,438)
Net working capital	**(35,535)**	**(18,665)**	**(13,268)**
Property, plant and equipment	73,975	71,343	71,343
Goodwill and other intangible assets	433,256	395,532	428,715
Investments accounted for under the equity method	19,207	27,294	27,294
Other elements of non-current assets	28,481	35,507	36,454
Fixed Assets	**554,919**	**529,676**	**563,806**
Non-current liabilities	(55,104)	(55,523)	(57,741)
NET INVESTED CAPITAL	**464,280**	**455,488**	**492,797**
SOURCES			

(in thousands of Euro)	31 December 2018	31 December 2017	31 December 2017 Pro-forma CMF
Equity attributable to non-controlling interests	668	381	381
Equity attributable to equity holders of the parent	164,824	298,401	109,794
Shareholders' equity	**165,492**	**298,782**	**110,175**
Subordinated Shareholder Funding	0	0	49,700
Net financial indebtedness	298,788	156,706	332,922
FINANCING SOURCES	**464,280**	**455,488**	**492,797**

Net working capital

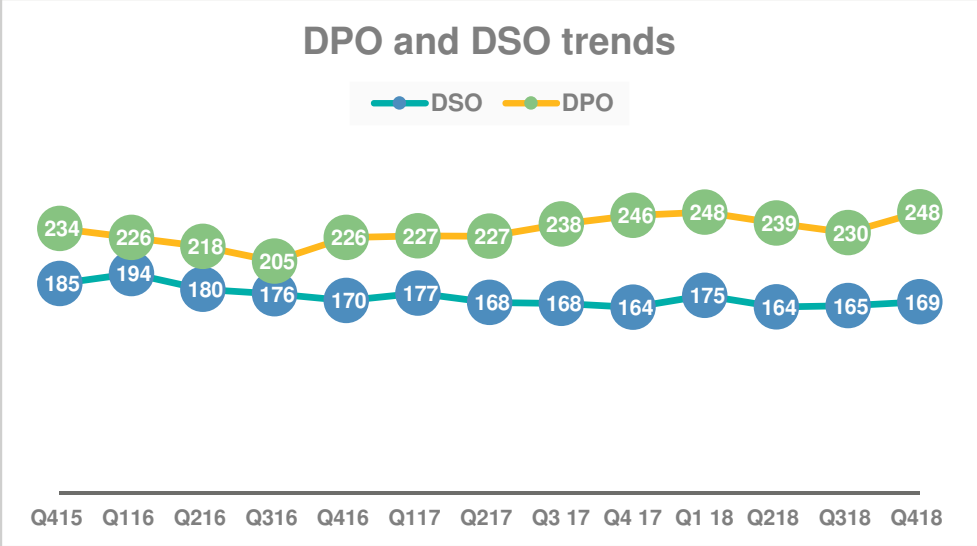
At 31 December 2018 Consolidated Net Working Capital (**NWC**) posted a negative value of € 35.5 million with a change of € 16.9 million compared to 31 December 2017, when it posted a negative value of € 18.7 million.

At 31 December 2018, the consolidated Net Working Operating Capital (**NWOC**), composed of Trade receivables and advances to suppliers and inventories, net of Trade payables and contract liabilities was equal to € 25.7 million against € 42.2 million at 31 December 2017. Considering the balance of receivables assigned without recourse by the Group and not yet collected by the factoring agencies (equal to € 60.3 million at 31 December 2018 and € 19.3 million at 31 December 2017) the **Adjusted NWOC** stood at € 86.1 million and € 61.6 million, respectively.

First of all, the change in the last indicator (+ € 24.5 million) was due to a change in the balance of trade receivables (+ € 29.8 million while considering the balance of receivables assigned without recourse and not yet collected by the factoring companies) against an increase in the stock of trade payables, which came to € 399.6 million at 31 December 2108 (+ € 6.6 million compared to the balance at 31 December 2017 equal to € 393.0 million).

At 31 December 2018 average DSO was 169 days (+ 5 days compared to the value recorded at 31 December 2017). The trend in receipts has now stabilised at a much shorter time horizon than in the past, despite a slight increase at the end of the year due to the postponement of some payments receivable of a significant amount to the first weeks of 2019. It should also be noted that 2018 saw the start-up of some major orders (such as the MIES2 Consip), which led to a recovery in growth in volumes, resulting in an initial postponement in the average time required to issue invoices (and a consequent extension of average collection time).

Furthermore, average DPO stood at 248 days (+ 2 days compared to 31 December 2017). In the last quarter of 2018 a physiological growth in DPO was reported compared to 30 September, with a year-end value substantially in line with that posted at 31 December 2017.



The balance of the other elements in working capital at 31 December 2018 was a net liability of € 61.3 million, substantially in line (+ € 0.4 million) compared to a net liability of € 60.9 million at 31 December 2017:

(in thousands of Euro)	31 December 2018	31 December 2017	Change
Current tax receivables	14,658	8,745	5,913
Other current assets	22,320	30,842	(8,522)
Provisions for risks and charges, current	(6,948)	(6,711)	(237)
Current tax payables	(954)	(326)	(628)
Other current liabilities	(90,360)	(93,415)	3,055
OTHER ELEMENTS IN WORKING CAPITAL	**(61,284)**	**(60,865)**	**(419)**

The net liability of other working capital items, which remained substantially unchanged, was actually the result of a combination of factors, mainly including:

- the decrease of € 9.6 million in the net credit balances for VAT of the Group companies. These credit balances, systematically generated following the introduction, already in 2015, of new regulations concerning the so-called "Split payment" and "Reverse charge", allowed, during 2018, the performance of assignments without recourse of the balances on account of refund required from the Tax Authorities, for a total amount of € 32.9 million;
- the movements of payables to/receivables from employees and the relative payables to/receivables from social security institutions and the Tax Authorities for withholding taxes, which accounted for an increase in net liabilities of € 3.3 million;
- the decrease of € 5.9 million in the item "*Other current operating liabilities*" (which showed an overall decrease of Euro 3.1 Million) of the payable related to the fine imposed by the Competition Authority during 2016, owing to the enforceability of

› the measure issued by the Authority notwithstanding the appeal with the Court of Cassation was pending, for which the right to pay in 30 monthly instalments was granted with a measure of the Competition Authority itself on 28 April 2017. The balance of the residual debt at 31 December 2018 was € 4.4 million (€ 10.3 million at 31 December 2017).

Net current tax receivables of € 13.7 million were recognised at 31 December 2018 against a net receivable of € 8.4 million at 31 December 2017.

Other long-term liabilities

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

› defined-contribution plans for employee benefits, such as the TFR (employee benefits), equal to € 14.7 million and € 15.5 million at 31 December 2018 and 31 December 2017, respectively;

› long-term portion of Provisions for risks and charges (€ 25.2 million at 31 December 2018 against € 27.6 million at 31 December 2017);

› deferred tax liabilities of € 14.5 million (€ 12.3 million at 31 December 2017).

Consolidated net financial indebtedness

Details of net financial indebtedness at 31 December 2018 are shown below, as determined on the basis of the instructions laid down in CONSOB Communication no. DEM/6064293 of 28 July 2006, compared to the figures at 31 December 2017.

(in thousands of Euro)	31 December 2018	31 December 2017	31 December 2017 Pro-forma CMF
A. Cash	49	38	65
B. c/a, bank deposits and consortia, non-proprietary accounts	94,684	59,832	59,832
C. Securities held for trading			
D. Cash and cash equivalents (A) + (B) + (C)	**94,733**	**59,870**	**59,897**
E. Current financial assets	**5,532**	**1,870**	**1,870**
F. Current bank overdraft	5,247	6,000	6,000
G. Current portion of non-current debt	2,855	1,425	2,160
H. Other current financial liabilities	29,264	35,740	35,740
I. Current financial indebtedness (F)+(G)+(H)	**37,365**	**43,165**	**43,900**
J. Net current financial indebtedness (I) - (D) - (E)	**(62,900)**	**(18,575)**	**(17,867)**
K. Long-term bank debt and Senior Secured Notes	358,225	5,000	348,367
L. Other non-current financial liabilities	3,462	170,281	2,423
M. Derivatives			

N. Non-current financial indebtedness (K) + (L) + (M)	**361,687**	**175,281**	**350,790**
O. NET FINANCIAL INDEBTEDNESS (J) + (N)	**298,788**	**156,706**	**332,922**

The 2018 financial year saw a negative change in consolidated net financial debt, which increased from € 156.7 million at 31 December 2017 to € 298.8 million at 31 December 2018. As noted, the change was affected by the effects of the merger by incorporation of CMF S.p.A. and the consequent transfer of debt for the Senior Secured Notes-bond issue launched in 2017 directly to Rekeep S.p.A.. In considering the pro-forma figure of the merger at 31 December 2017, the change in Net Financial Indebtedness was positive, with an improvement of € 34.1 million.

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

During 2018 assignments of receivables without recourse were made in an amount of € 117.6 million under said agreement. Furthermore, there were assignments without recourse of trade receivables claimed from Public Authorities in an overall amount of € 4.2 million, the counterparty being Banca Farmafactoring S.p.A., but not linked to the contract described above. On 27 June 2018 the Parent Company also signed an additional uncommitted factoring agreement with Banca IFIS, concerning the assignment without recourse of trade receivables specifically accepted for the individual transactions carried out. Receivables from private entities and Public Authorities were assigned for € 29.5 million in consideration of this new contract. Finally, on 18 December 2018 the Parent Company obtained an additional line for assignments without recourse up to € 20 million on a revolving basis with Unicredit Factoring S.p.A, which was also aimed at converting credit positions into cash specifically agreed with the factor. This line was used for a single assignment of receivables from private individuals for a balance equal to € 11.9 million. All assignments without recourse carried out during the year were subject to derecognition according to IFRS9.

The consolidated net adjusted financial debt for the amount of receivables assigned without recourse to factoring companies, which had not been collected by them at the reporting date (totalling € 60.3 million at 31 December 2018 against € 19.3 million at 31 December 2017) came to € 359.1 million (€ 176.0 million at 31 December 2017 and € 352.3 million in the pro-forma statement of the merger of CMF S.p.A.).

At 31 December 2018 the balance of Cash and cash equivalents, net of short-term credit lines (known as “Net Cash”) amounted to € 71.1 million (€ 23.9 million at 31 December 2017):

(in thousands of Euro)	31 December 2018	31 December 2017
Cash and cash equivalents	94,733	59,870
Current bank overdraft, advance payments and hot money	(5,247)	(6,000)
Obligations arising from assignments of trade receivables with recourse	(18,379)	(29,999)
NET CASH	**71,106**	**23,871**

Below is a breakdown of the net financial exposure by bank credit lines and financial leases (Net Debt) compared to 31 December 2017:

(in thousands of Euro)	31 December 2018	31 December 2017	31 December 2017 Pro-forma CMF
Proceeds Loan from CMF S.p.A. (nominal value)	0	175,990	0
Senior Secured Notes due 2022 (nominal value)	360,000		360,000
Bank debts	12,454	5,000	5,000
Financial lease obligations	3,577	3,622	3,622
Current bank overdraft, advance payments and hot money	5,247	6,000	6,000
Obligations arising from assignments of receivables with recourse	18,379	29,999	29,999
GROSS DEBT	**399,659**	**220,610**	**404,620**
Current financial assets	(5,532)	(1,870)	(1,870)
Cash and cash equivalents	(94,733)	(59,870)	(59,897)
NET DEBT	**299,394**	**158,870**	**342,853**

The "Net Debt" increased compared to 31 December 2017 (€ 299.4 million against € 158.9 million) following the effects of merger of CMF S.p.A. in Rekeep S.p.A. and the consequent recognition of the entire debt for the bond issue on the part of the merging company (€ 360 million), in consideration of the repayment of the pre-existing Proceeds Loan (€ 176.0 million). Net of this effect, comparing the Net Debt and the value recognised at CMF S.p.A. level at 31 December 2017, a significant reduction was reported in the ratio, despite a higher cash amount (€ 94.7 million at 31 December 2018 against € 59.9 million at 31 December 2017). Specifically, during the year there was the drawdown of the second tranche (amounting to € 5 million, with a term of 66 months, six-monthly instalments and a pre-amortisation period of 12 months) of the committed line of credit with CCFS, totalling € 10 million, against a lower use (- € 12.4 million) of short-term credit lines for Current bank overdrafts, advance payments and hot money and Assignments of trade receivables with recourse. Other changes in bank debt were finally

attributable to the price paid and to the effect of the consolidation of investees acquired during the year, in particular Medical Device S.r.l. and EOS.

The change in Consolidated cash and cash equivalents is analysed in the table below: the cash flows for 2018 are compared with the figures in the previous year. The Annexes attached to the consolidated Financial Statements provide a reconciliation between the items in this table and those in the statutory schedule presented in the Explanatory notes pursuant to IAS 7.

(in thousands of Euro)	2018	2017
At 1 January	**59,870**	**174,992**
Cash flow from current operations	49,536	28,632
Uses of provisions for risks and charges and for employee termination indemnity	(7,180)	(8,705)
Change in NWOC	14,965	69,170
Industrial Capex net of disposals	(31,530)	(30,958)
Financial Capex net of disposals	13,081	(1,924)
Change in net financial liabilities	176,945	(139,358)
Other changes	(180,957)	(31,980)
AT 31 DECEMEBR	**94,733**	**59,870**

The overall cash flows mainly reflect:

- a positive cash flow from current operations for € 49.5 million (€ 28.6 million at 31 December 2017);
- outflows from the use of provisions for future risks and charges and for employee termination indemnity for € 7.2 million (€ 8.7 million at 31 December 2017);
- a cash flow of € 15.0 million (€ 69.2 million at 31 December 2017) from changes in NWOC resulting from a positive flow correlated to a change in trade receivables for € 11.3 million (€ 24.1 million in 2017) and an increase in trade payables for € 4.0 million (against a cash inflow of € 38.6 million in 2017);
- a cash flow of € 32.0 million used in investing activities (€ 31.5 million at 31 December 2017, including the acquisition of the factory located in Lucca on the part of Servizi Ospedalieri S.p.A. for € 4.5 million), net of disposals for € 0.5 million (unchanged compared to 31 December 2017), also against net financial disinvestments for € 13.1 million (net investments for € 1.9 million at 31 December 2017). This inflow, in particular, was linked for € 7.6 million to the net financial effects of the transaction completed with the 3i EOPF fund for the sale of MFM Capital S.r.l., which allowed the release of considerable financial resources used in some project companies, in addition to the sale of Progetto ISOM S.p.A. to Sinloc – Sistema Iniziative Locali S.p.A. (+ € 6.1 million) in July 2018. On the other hand, there was the recognition of uses of financial resources for corporate acquisitions (EOS and Medical Device) for an overall amount of € 1.5 million;
- an increase in net financial liabilities of € 176.9 million, which was mainly due to the abovementioned transfer of the title to the Senior Secured Notes-bond issue to Rekeep S.p.A. (€ 360 million) following the merger by incorporation of the issuer

CMF S.p.A. and the consequent repayment of the Proceeds Loan existing between the companies (equal to a nominal amount of € 174.2 million at the date of merger). Furthermore, the year saw an increase in the used balance of the committed line with CCFS (€ 10 million at 31 December 2018, against € 5 million at 31 December 2017) and of lines with other minor banks (+ € 2.5 million) in addition to other changes in the liabilities related to factoring with recourse (- € 11.6 million) and a lower use of short-term credit lines for hot money and advances on invoices (- € 0.8 million). On the other hand, in 2017 a decrease was recognised in net financial liabilities of € 139.4 million, which was mainly due to the abovementioned refinancing that led to a decrease in the financial liability relating to early repaid Senior Secured Notes 2013 (- € 306.1 million, including changes in accruals on six-monthly instalments paid during the year), albeit against the Proceeds Loan raised from CMF S.p.A. for a net balance of € 168.6 million at 31 December 2017. Furthermore, other changes were recorded in the liability relating to factoring with recourse (+ € 9.2 million), as was a lower use of short-term credit lines for hot money and advances on invoices (- € 5.9 million), albeit against an increase in financial lease payables (+ € 2.7 million);

- cash outflows arising from other changes recorded in the period for € 181.0 million, including the recognition of the effects of the consolidation of CMF S.p.A. following the merger for € 181.3 million. Furthermore, note the net flows generated from the changes in other operating assets and liabilities (+ € 2.4 million), mainly due to the net effect of: (i) a decrease in the balance of payables to/receivables from employees and the related payables to/receivables from social security institutions and the Tax Authorities for withholdings (- € 3.3 million); (ii) the changes in the net VAT credit balance of the Group companies (showing a decrease of € 9.6 million); (ii) a decrease in *Other current liabilities* (- € 3.3 million), due in particular to the repayment of the debt relating to the fine imposed by the Competition Authority during 2016, for which the right to pay in 30 monthly instalments was granted (- € 5.9 million following the payment of 12 monthly instalments). Other changes reported in 2017, on the other hand, had absorbed total flows of € 32.0 million, which included, among others, the payment by the Parent Company of a dividend to the shareholders of € 25.1 million in May 2017. On the other hand, other operating assets and liabilities absorbed all-in-all cash flows of € 13.1 million, mainly due to the net effect of: (i) an increase in the balance of payables to/receivables from employees and the relative payables to/receivables from social security institutions and the Tax Authorities for withholding taxes (+ € 10.0 million); (ii) the changes in the net VAT credit balance of the Group companies (+ € 10.3 million), which, against credit balances significantly generated at the end of 2017 for some changes in regulations and processes that concerned the deduction of VAT, were the object, during 2017, of some assignments without recourse of the balances on account of refund from the Tax Authorities, for a total amount of € 18.7 million; (iii) the payment of 12 monthly instalments of the debt related to the fine imposed by the Competition Authority during 2016 for a total of € 4.4 million.

Industrial and financial Capex

In 2018 the Group made gross capital expenditures which totalled € 32.0 million (€ 31.5 million at 31 December 2017), from which must be also deducted disinvestments of € 0.5 million (€ 0.5 million at 31 December 2017):

(in thousands of Euro)	For the year ended 31 December	
	2018	2017
Acquisitions of fixed assets under finance lease	69	4,489
Purchases of properties	54	70
Purchase of plant and equipment	23,917	20,488
Other capital expenditures in intangible assets	7,987	6,502
INDUSTRIAL CAPEX	**32,027**	**31,549**

Acquisitions of plant and equipment include the purchase of linen on the part of Servizi Ospedalieri S.p.A. for the linen rental and industrial laundering business, equal to € 15.5 million at 31 December 2018 against € 12.8 million at 31 December 2017, with a considerable increase due to new stocks for the start-up of some major contracts. Furthermore, this item included acquisitions of plant and equipment in an amount of € 0.5 million, mainly relating to contracts involving start-ups in France.

Investments in intangible assets for the year amounted to € 8.0 million (€ 6.5 million at 31 December 2018) and mainly related to ICT investments. These included investments of € 0.9 million in the technological platform of subsidiary Yougenio S.r.l. (€ 1.5 million at 31 December 2017).

Finally, during 2017 the subsidiary Servizi Ospedalieri S.p.A. signed a 12-year finance lease agreement with Unicredit Leasing S.p.A. for the purchase of the factory in Lucca, previously used through a lease agreement with Manutencoop Immobiliare S.p.A. (company of the Manutencoop Società Cooperativa Group that owned the property), for a value of € 4.5 million.

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

(in thousands of Euro)	For the year ended 31 December	
	2018	2017
Facility Management	13,818	9,915
of which start-up companies	*1,381*	*1,504*
Laundering & Sterilization	18,209	21,634
INDUSTRIAL CAPEX	**32,027**	**31,549**

Finally, the cash flow for financial investments posted a positive value of € 13.8 million at 31 December 2018. This was due to the sale to third parties of a stake of 31.98% of the share capital of Progetto ISOM S.p.A., a vehicle company intended for the design, financing, implementation and management of the project for the energy upgrading of the Sant'Orsola Hospital in Bologna, under a project finance concession agreement. Furthermore, the transfer also concerned the entire receivable relating to the interest-bearing shareholder loan, equal to € 2.1 million. The total consideration of € 6.1 million was collected in full at the date of the transfer. Finally, on 28 December 2018 Rekeep S.p.A. transferred a quota of 95% of the capital held in MFM Capital S.r.l. to 3iEOPF. During 2018 MFM Capital received the transfer of the major interests held in project companies involved in various project finance and service concession initiatives, in addition to the financial receivables arising from the corporate loans granted to them. Upon closing 3i EOPF paid a consideration of € 9.1 million when the agreement was signed, while the

deferred consideration (equal to € 5.1 million, of which an amount of € 2.7 million stated in current financial receivables) will be paid in subsequent tranches after the completion of the construction of the projects in progress.

On the other hand, the business combinations for the year absorbed total financial resources of € 1.5 million, mainly due to the acquisition of the majority interest in the Turkish company EOS on the part of Rekeep World S.r.l. against a price of € 2 million (fully paid at the closing date), with a net effect on cash and cash equivalents of € 1.7 million. The company was already invested in by Servizi Ospedalieri S.p.A. with a 50% stake of the capital; therefore, subsequently, the Group proceeded with the consolidation of the newly-acquired company's balance sheet values on a line-by-line basis. On the other hand, the acquisition of a 60% quota of Medical Device S.r.l. on the part of Servizi Ospedalieri S.p.A. did not entail any cash out for the Group since the transaction was completed through an increase in the capital of the subsidiary itself. For more details on the business combinations for the year, reference should be made to explanatory note 3.

Finally, a payment of € 1.2 million was made on account of an increase in the capital carried out in non-strategic investees during the year.

Finally, during 2017 the cash flow for financial investments posted a negative value of € 1.9 million and was mainly related to the payment of share capital carried out in investee companies not included in the scope of consolidation (€ 0.9 million), in addition to the establishment by H2H Facility Solutions S.p.A. of a joint-venture with a paid-up capital of € 0.6 million.

Change in Net financial liabilities

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

(in thousands of Euro)	31 December 2017	Business Combination	New loans	Refunds and repayments	Other changes	31 December 2018
Senior Secured Notes	0	344,871			1,604	346,475
Bank loans	5,000	133	7,454		(133)	12,454
Current bank overdrafts, advance payments and hot money	6,000	1,294	5,247	(7,294)		5,247
Accrued and deferred expenses on loans	(794)	1,440		(16,200)	16,128	574
BANK DEBTS	**10,206**	**347,738**	**12,702**	**(23,494)**	**17,599**	**364,751**
Finance lease obligations	3,622	401		(445)		3,577
Obligations from assignments with recourse	29,999		62,677	(74,296)		18,379
Proceeds Loan CMF S.p.A.	168,562	(167,552)		(1,770)	760	0
Due to factoring agencies for assignments without recourse	4,902		9,934	(4,902)		9,934
Other financial liabilities	1,155	222	904		128	2,411

(in thousands of Euro)	31 December 2017	Business Combination	New loans	Refunds and repayments	Other changes	31 December 2018
FINANCIAL LIABILITIES	**218,446**	**180,809**	**86,218**	**(104,907)**	**18,486**	**399,053**
Current financial assets	(1,870)				(3,662)	(5,532)
NET FINANCIAL LIABILTIES	**216,576**	**180,809**	**86,218**	**(104,907)**	**14,825**	**393,521**

Following the above-mentioned refinancing process carried out during the last quarter of 2017, the Senior Secured Notes-bond issue which the Parent Company issued during 2013, were redeemed in advance. The Parent Company completed this redemption through the use of a portion of its Cash and cash equivalents and simultaneously obtained an intercompany loan (Proceeds Loan) from its direct controlling company CMF S.p.A., which launched a new Senior Secured Notes-bond issue in 2017, in a nominal amount of € 360 million, below par (at 98%), due 2022 and a six-monthly coupon (at a nominal rate of 9.0% p.a.). This loan was paid off on 1 July 2018, following the merger of CMF S.p.A. by incorporation into Rekeep S.p.A., which is now the direct holder of the Senior Secured Notes-bond issue launched by the merged company. The Proceeds Loan had a nominal value on account of capital equal to € 174.2 million at the date of the merger (€ 176.0 million at 31 December 2017), against a partial repayment of € 1.8 million required by CMF S.p.A. during the first half of the year, in order to ensure the payment of the bond coupons being due. In raising this Proceeds Loan, the Parent Company also sustained additional costs for the issue in an initial total amount of € 9.1 million, charged back by CMF S.p.A. in proportion to the resources reserved for it (equal to 52.86% of total issue). These additional costs were accounted for according to the amortised cost method and reported a balance equal to € 7.3 million at 30 June 2018 (€ 8.1 million at 31 December 2017). The issue discount and the additional costs incurred for the launch of the bond issue were also accounted for according to the amortised cost method and transferred following the merger, thus giving rise to a residual balance of € 13.5 million at 31 December 2018.

Furthermore, there was the recognition of accruals on loans in a total amount of € 1.7 million (of which € 1.4 million related to the amount accrued on the coupon due on 15 June 2019) and prepaid financial expenses of € 1.1 million, of which an amount of € 0.7 million relating to the remaining amount of costs to be amortised for obtaining the Revolving Credit Facility ("RCF"). At the same time as the bond issue, CMF S.p.A. in fact entered, as the Parent Company, into a Super Senior Revolving loan agreement for € 50 million, to which Rekeep S.p.A. is a party as Borrower. CMF S.p.A. had charged all financing costs (equal to € 1.0 million) back to the Parent Company, which will be also amortised on a straight-line basis throughout the entire term of the credit facility (no drawdown had been requested on the reporting date). This amortisation had an impact of € 0.2 million on the 2018 financial year.

On 14 November 2017 the Parent Company signed a committed credit facility agreement with C.C.F.S. for a total amount of € 10 million. The loan includes a first tranche amounting to € 5 million, which was disbursed at the same time as the execution and with bullet maturity in April 2023, and a second 66-month tranche, for an additional amount of € 5 million, was disbursed on 13 February 2018 and provides for the repayment in six-monthly instalments, with a pre-amortisation period of 12 months. Furthermore, on 21 June 2018 the Parent Company obtained a soft loan from the "Energy and Mobility Fund" operated by the Regional Government of Marche, aimed at supporting the energy efficiency development of healthcare units. This loan was partly disbursed by Artigiancassa S.p.A. in the form of a 8-year financing of € 1.7 million, with a pre-amortisation period of 12

months. This loan does not bear interest and provides for the payment of 14 six-monthly instalments, falling due on 31 March and 30 September of each year.

As at the closing date of the year short-term uncommitted credit lines had been used for hot money and advances on invoices of € 5.2 million (aimed at meeting peaks in temporary cash requirements linked to the natural performance of operations), against a balance of € 6.0 million at 31 December 2017. Furthermore, Rekeep S.p.A. has an agreement for the assignment of trade receivables with recourse in place with Unicredit Factoring S.p.A., concerning receivables from customers in the Public sector. During 2018, assignments were made in an overall nominal amount of € 62.7 million while the outstanding balance amounted to € 18.4 million at 31 December 2018 (€ 30.0 million at 31 December 2017).

Furthermore, Rekeep S.p.A. and Servizi Ospedalieri S.p.A. collected amounts of € 7.3 million at 31 December 2018, concerning receivables included in assignments without recourse under the agreement signed with Banca Farmafactoring for which the respective debtors have not made any payment to the bank accounts specified by the factor. These amounts constitute a financial liability for the Group, which gave rise to the payment of said amounts in early January.

Finally, the Group recorded, among "Other financial liabilities" at 31 December 2018, the remaining debt of € 0.7 million for the consideration still to be paid to the minority quotaholders of Evimed S.r.l., a company in the Sicura Group, following the purchase of the respective quotas that took place on 20 September 2018 on the part of the sub-holding company Sicura S.p.A..

Finally, the balance of short-term financial assets increased by € 3.7 million lower during the year, mainly due to the recognition of the financial receivable for € 2.7 million relating to a portion of the deferred consideration paid by 3i EOPF on the sale of MFM Capital S.r.l., which is expected to be collected during the financial year after the completion of the construction phase of some project finance concessions included in the sale itself.

3.3 Financial ratios

The main financial ratios for 2018, calculated at consolidated level, compared with the same ratios recorded for 2017, are shown below.

The financial data used for their calculation are "normalised", due to the effects of the fine imposed by the Competition Authority, i.e. net of the reversal in 2016 for the provision set aside in 2015, which is thought to distort an assessment of the Group's results, while including all the other non-recurring income and costs.

Profitability ratios

	2018	2017	2016
ROE	10.6%	0.2%	6.0%
ROI	5.0%	5.5%	4.8%
ROS	5.9%	6.3%	6.1%

ROE (*Return on Equity*) provides a summary measurement of the return on capital invested by shareholders. The ratio reflects an improved consolidated Net Profit in 2018 compared to the previous year (€ 15.7 million in 2018 against € 0.7 million in 2017). On the other hand, there was a decrease in the value of the Equity reserves (- € 148.7 million) due to the accounting effects of the merger of CMF S.p.A. by incorporation into Rekeep S.p.A.; this merger constitutes, within the scope of application of IFRS, a "transaction under common control" which entailed the recognition of negative equity reserves instead of a merger deficit in balance sheet assets (see, in this regard, Explanatory note 3). On the other hand, a profit for the year for a non-significant amount was recognised in 2017, mainly due to considerable non-recurring costs of the refinancing transaction detailed above.

ROI (*Return on Investments*) provides a summary measurement of the operating return on capital invested in the company. The performance reflects an increase in the Group's gross Invested Capital (+ € 51.3 million) against a decrease in EBIT for the year used for the calculation of the ratio (€ 55.7 million and € 58.2 million in 2018 and 2017, respectively).

ROS (*Return on sales*) provides a summary measurement of the Group's ability to convert turnover to EBIT and stood at 5.9% in 2018, compared to 6.3% in 2017, against a positive change in turnover (+ 3.5% compared to 2017) compared to a decline in EBIT (- 4.2%).

Liquidity ratios

	2018	2017	2016
Current ratio	1.05	1.00	1.34

The general liquidity ratio (*current ratio*) represents the ratio of current assets to current liabilities and expresses the company's ability to cover current outflow (i.e. current liabilities) with current income (i.e. current assets). The ratio mainly reflects an increase in current assets (in particular for higher cash and cash equivalents and short-term financial receivables) against a substantially unchanged balance of current payables (and in particular in the stock of trade payables). The ratio started to grow again in 2018 compared to 2017, which had showed a financial position that was more affected by short-term financial commitments.

Ratios of composition of Assets and Liabilities

	2018	2017	2016
Rigidity ratio	49.7%	49.7%	44.4%
Liquidity ratio (elasticity)	49.7%	49.8%	55.6%
Indebtedness ratio	0.89	0.69	0.69
Medium/Long-term indebtedness ratio	37.3%	21.6%	31.6%

The rigidity ratio, which expresses long-term loans as a percentage of total loans, remained substantially unchanged in 2018 compared to the previous year, as a result of an increase in invested capital compared to the previous year, which was proportional compared to the increase in fixed assets.

Likewise, the total liquidity ratio, which measures the company's elasticity in terms of the ratio of cash and cash equivalents and trade and other receivables (current assets net of inventories) to total loans, stood at 49.7% in 2018, also substantially unchanged compared to 49.8% in the previous year.

The indebtedness ratio, which is the ratio of net debt to the sum of net debt and own equity, as defined in the explanatory Notes to the Consolidated Financial Statements, to which reference should be made, stood at 0.89, showing an increase compared to the previous year, against a more than proportional increase in the Net Debt (which saw the replacement of the Proceeds Loan of € 176.0 million in 2017 by the Senior Secured Notes acquired in 2018 with the merger of CFM S.p.A. for a nominal amount of € 360 million, despite higher uses of net Cash and cash equivalents for € 34.9 million) compared to the decrease in net Capital due to the aforementioned accounting effects of the merger of CMF S.p.A..

The medium/long-term indebtedness ratio, expressed as the ratio of consolidated liabilities and total sources of funding, increased from 21.6% in 2017 to 37.3% in 2018, thus reflecting an increase in the balance of medium/long-term loans (+ € 186.0 million), mainly due to the new Senior Secured Notes which replaced the Proceeds Loan of CMF S.p.A..

Productivity ratios

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

	2018	2017	2016
Turnover/internal and external personnel costs	144%	141%	144%
Make ratio	59.6%	58.2%	58.1%

At 31 December 2018 the ratio between *Revenues from sales and services* and the total amount of costs for internal and external personnel used in production (cost of employed workers, cost of external workers, services provided by consortia and professional services) came to 144% (141% at 31 December 2017). The ratio shows a recovery in the growth of sales volumes against a different mix of composition of operating cost (and in particular in the weight of costs for "internal" personnel", which vary in a way that is not entirely proportional compared to changes in turnover).

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

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

The observations made regarding the trend in consolidated results and business development of the Group are confirmed in the analysis developed at the level of the Parent Company Rekeep S.p.A.. Indeed, the Group is structured around its Parent Company, in which the main facility management activities were centralised and developed in the past, which are now coupled with more specialist and industry-based activities carried out by investee companies.

Income and costs relating to non-recurring events and operations (as already described in Paragraph 1 of the Report on Operations) were recognised in the Parent Company's Statement of Profit/Loss for 2018 as stated below:

(in thousands of Euro)	For the year ended 31 December	
	2018	2017
Legal advice on pending administrative disputes	241	428
Structural reorganisation consulting fees	2,319	3,219
"*Oneri di sistema*" relating to previous years		(6,152)
Costs of refinancing of the Manutencoop Group		4,332
Non-recurring bonuses for refinancing		3,015
Rebranding Project	3,904	
Compensation for damages by Consip S.p.A.	(4,274)	
Non-recurring operating costs (income) impacting on EDITDA	**2,191**	**4,842**
Provisions for corporate reorganisation		
Provisions (reversal) for risks from compensation on contractual liability to associates		(1,901)
Provisions (reversal) for risks from administrative disputes		
Additional non-recurring expenses (income) impacting on EBIT	**0**	**(1,901)**
Financial fees on refinancing of the Manutencoop Group		740
Reversal of amortised cost of Senior Secured Notes 2013		4,368
Costs for early redemption of Senior Secured Notes 2013		6,480
Non-recurring financial expenses (income)	**0**	**11,588**
TOTAL NON-RECURRING EXPENSES (INCOME)	**2,191**	**14,529**

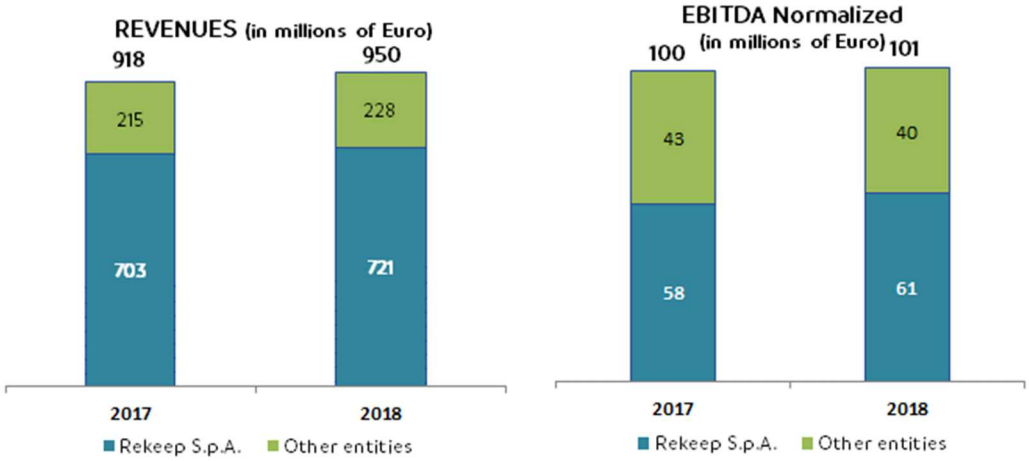
4.1 Economic results in 2018

The main income data of the Parent Company Rekeep S.p.A. for the year ended 31 December 2018, as well as a comparison with the figures from the previous year:

(in thousands of Euro)	For the year ended 31 December		Change	%
	2018	2017		
Total revenues	721,478	702,857	18,621	+2.6%
Total costs of production	(662,679)	(650,117)	(12,561)	+1.9%
EBITDA	**58,799**	**52,739**	**6,060**	**+11.5%**
EBITDA %	**8.1%**	**7.5%**	**+0.6%**	
Amortization, depreciation, write-downs and write-backs of assets	(17,794)	(18,575)	781	
Accruals and reversal of provisions for risks and charges	(3,570)	877	(4,447)	
Operating income (EBIT)	**37,435**	**35,041**	**2,394**	**+6.8%**
EBIT %	**5.2%**	**5.0%**	**+0.2%**	
Income (charges) from investments	13,033	20,093	(7,059)	
Net financial charges	(28,474)	(34,152)	5,678	
Profit before taxes	**21,995**	**20,981**	**1,013**	**+4.8%**
Profit before taxes %	**3.0%**	**3.0%**		
Income taxes	(6,023)	(12,573)	6,550	
Profit from continuing operations	**15,971**	**8,408**	**7,563**	**+89.9%**
Profit (loss) from discontinued operations	**0**	**0**	**0**	
NET PROFIT	**15,971**	**8,408**	**7,563**	**+89.9%**
NET PROFIT %	**2.2%**	**1.2%**	**+1.0%**	

In 2018 Revenues for Rekeep S.p.A. stood at € 721.5 million, million, showing an increase of € 18.6 million compared to € 702.9 million in the previous year. From 2018 signs of sharp recovery came from sales volumes, in opposite trend to the figure for the last years. The services delivered under the MIES2 Agreement are in fact concentrated at the Parent Company (+ € 9.0 million, regulated under agreements as from April 2018). Furthermore, 2018 saw the full operation of the "cleaning services on board night trains" managed on behalf of Trenitalia S.p.A., which were started only in September 2017 only. On 1 November 2018, on the other hand, the business unit organised for the management of any and all contracts in place with Trenitalia S.p.A. was transferred to the newly-established business unit Rekeep Rail S.r.l., within which the revenues from these projects were achieved for the last 2-month period of the year (equal to about € 6.6 million).

The Parent Company Rekeep S.p.A. guarantees the Group a sizeable portion of the consolidated results (more than 75% of consolidated Revenues), internally developing operational structures for the traditional business of facility management, as well as administrative and technical structures for most of other Group companies as well as the Parent Company itself.



The Company's EBITDA for the year ended 31 December 2018 came to € 58.8 million against € 52.7 million for the year ended 31 December 2017. Furthermore, note that EBITDA for 2018 was affected by non-recurring costs (net of any income) of € 2.2 million, while non-recurring costs amounted to € 4.8 million in the previous year (mainly linked to the Group's refinancing transaction, which were almost fully recognised by the then Manutencoop Facility Management S.p.A.). Adjusted EBITDA, which excludes these non-recurring elements, was then equal to € 61.0 million for the year ended 31 December 2018, against Adjusted EBITDA of € 57.6 million at 31 December 2017, with an appreciable improvement in terms of profit margins too.

In 2018 the Parent Company contributed to consolidated EBITDA for about 60% (approximately 58% in the previous year). The remarks concerning the Group's income performance, in fact, are fully borne out in Rekeep S.p.A., since the recovery in volumes described more generally for the facility management segment was even more evident in the Parent Company.

"*Other revenues*" for the year included proceeds of € 4.3 million for 2018, which the Company collected on 23 November 2018, following the final judgment handed down by the Supreme Court that ordered Consip S.p.A. to pay these sums on account of compensation for damages within the "Facility Management 3" tender launched in 2010. Rekeep S.p.A. (then Manutencoop Facility Management S.p.A.) was not awarded these services and filed an appeal against the winning ATI bidders. Following the long litigation that arose therefrom and in which the Company's reasons were accepted and a financial damage was acknowledged because it was not able to take over the service contract, Rekeep S.p.A. finally filed an appeal for compliance to seek payment of the sums due (in addition to interest and additional charges) on 27 September 2018, which was followed by the final compliance on the part of Consip S.p.A..

As regards *operating costs*, there were higher *Costs of raw materials and consumables* for € 13.1 million, lower *Costs of services* for € 3.3 million against lower *Personnel costs* for € 2.8 million. The increasing volume trend also reflects an increase in production costs, although with a different performance in the various cost items (due to a different mix of services rendered) and in a non-proportional manner, given the now consolidated effect of the major cost efficiency actions taken in support of profit margins in previous years.

The average number of employees that worked for Rekeep S.p.A. during 2018 was equal to 13,712, of which 386 were provided by Manutencoop Società Cooperativa (14,289 in the previous year, of which 429 were provided by Manutencoop Società Cooperativa). As stated for costs for services and consumption of materials, the number of employees, and specifically

of manual workers, is closely linked to the mix of services being performed. Furthermore, 904 units were transferred to the subsidiary within the abovementioned sale of the business unit to Rekeep Rail S.r.l..

Finally, at 31 December 2017, *Other operating costs* posted a positive value of € 0.6 million. Until 31 December 2016 the Parent Company had in fact recognised operating costs of € 6.2 million, concerning some energy service contracts and relating to "*Oneri di Sistema*" charges. On the basis of the important amendments to the relevant regulations, the management believed that there was no need to recognise additional "*Oneri di Sistema*" charges in 2017, while implementing the elimination of the payment obligations for those related to the previous years and recognising the contingent asset for the payable that had been recorded at the end of the previous year.

In 2018 consolidated **EBIT** came to € 37.4 million against EBIT of € 35.0 million in 2017. In 2018 *Amortisation and depreciation* amounted to Euro € 8.4 million against € 8.8 million at 31 December 2017. This item includes amortisation of intangible assets of € 6.4 million (€ 6.6 million at 31 December 2017) and depreciation of property, plant and equipment of € 2.0 million (€ 2.2 million at 31 December 2017). Finally, *net write-downs of trade receivables* amounted to € 2.7 million (€ 3.2 million at 31 December 2017).

Furthermore, during 2018 note *write-downs of equity investments* of € 6.4 million (€ 6.3 million at 31 December 2017) which were mainly related to the subsidiaries operating for the business development in the international and B2C markets. On the other hand write-downs of assets were recorded for € 0.3 million (unchanged compared to 31 December 2017) concerning some credit positions claimed from suppliers.

In 2017 EBIT also recorded, in addition to the non-recurring elements already described for EBITDA, the (non-recurring) release of a provision for risks set aside for € 2.3 million at 31 December 2016 and related to a dispute involving an associate with which the Company had services agreements in being under which, in some respects, the servicer may had contractual liability. During 2017 this dispute was settled on favourable terms which in turn entailed a net release of the provision for risks of € 1.9 million.

At 31 December 2018 **Adjusted EBIT** then came to € 39.6 million (equal to 5.5% in terms of profit margins relating to the Revenues for the year) against € 38.0 million at 31 December 2017 (equal to 5.4% of related Revenues).

To EBIT must be added Dividends and net income from equity investments amounting to € 10.5 million, compared to an amount of € 20.1 million in the previous year. This item includes dividends collected from investee companies, as detailed below:

(in thousands of Euro)	Year ended 31 December	
	2018	2017
Servizi Ospedalieri S.p.A.	8,840	9,320
Telepost S.p.A.	782	1,853
H2H Facility Solutions S.p.A.	442	814

(in thousands of Euro)	Year ended 31 December	
	2018	2017
Sicura S.p.A.	0	6,500
Roma Multiservizi S.p.A.	0	1,291
Other minor dividends	395	315
DIVIDENDS	**10,459**	**20,093**

In 2018 net capital gains were also accounted for on the disposal of equity investments (net of additional costs on the transactions) for € 2.6 million, linked to the transfers of MFM Capital S.r.l. to 3i EOPF and of Progetto ISOM S.p.A. to Sinloc – Sistema Iniziative Locali S.p.A.. The transaction with 3i EOPF also provides for earn-outs of up to € 2 million linked to the future return on some equity investments included in the perimeter of MFM Capital S.r.l., which were not included in the 2018 income statement of the Company.

Financial income decreased by € 4.9 million compared to the previous year, mainly against lower interest income from customers (-€ 2.3 million), which included significant default interest income in 2017, in relation to the in-court settlement, on favourable terms, of some disputes arisen with specific customers in previous years. Furthermore, note the recognition of lower interest on intercompany loans for € 2.5 million against a lower credit balance of these loans, in particular for the "Proceeds Loan" granted to subsidiaries (€ 24 million at 31 December 2017 for Servizi Ospedalieri S.p.A. against € 32.3 million at 31 December 2017, to which must be added an amount of € 16.6 million repaid in October following the request submitted by subsidiary H2H Facility Solutions S.p.A.), bearing interest at the same rate as the bond issue in place.

The impact of *financial charges* on the results of operations of the Company was equal to € 32.4 million, with a decrease equal to € 10.5 million compared to € 42.9 million in 2017.

The financial debt structure reported significant changes with respect to the two comparative periods, which were linked to the abovementioned refinancing transaction that the Manutencoop Group carried out during the last quarter of 2017.

In 2017 this item included any and all non-recurring financial items which concerned this transaction. In fact, in the previous year the Company had sustained costs of € 6.5 million relating to the early redemption of the Senior Secured Notes issued in 2013 (initially due 2020 and with a six-monthly coupon of 8.5%), based on the redemption price set in the rules of the cancelled Notes and the negative interest accrued with respect to the repayment of the capital quota to bondholders. The redemption of the Notes also entailed the reversal of residual additional charges relating to the issue, accounted for at amortised cost, through profit or loss, for € 5.6 million. At the same time, Rekeep S.p.A. obtained an intercompany loan (Proceeds Loan) in a nominal amount of € 190.3 million from the direct controlling company CMF S.p.A., which launched the new Senior Secured Notes bond issue in a nominal amount of € 360 million. After having obtained this loan, additional issue costs were sustained for an initial total amount of € 9.1 million, which were charged back by CMF S.p.A. in proportion to the proceeds reserved for it (equal to 52.86% of total issue). These additional costs were also accounted for according to the amortised cost method, which gave rise to amortisation costs of € 1.7 million in 2018. The Proceeds Loan bears interest equal to 9.0% p.a. and was repaid as from 1 July, following the merger of CMF S.p.A. by incorporation into Rekeep S.p.A.. Financial costs accrued on the same during the first half of 2018 amounted to € 7.9 million (€ 3.6 million in 2017), to which must be added financial costs of € 17.6 million

accrued on the Notes during the second half of 2018 directly for Rekeep S.p.A. (the Notes repaid in 2017 had accrued financial costs on coupons for € 22.1 million until the date of redemption).

Finally, in 2018 interest discount costs were recognised in relation to the assignments of receivables without recourse carried out with Banca Farmafactoring and Banca IFIS for € 2.2 million (€ 1.2 million at 31 December 2017).

From the profit before taxes must be deducted taxes of € 6.0 million (€ 12.6 million at 31 December 2017), thus obtaining a positive *Net result* of € 16.0 million (€ 8.4 million at 31 December 2017).

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

(in thousands of Euro)	For the year ended 31 December	
	2018	2017
Profit before taxes	**21,995**	**20,981**
Current, prepaid and deferred IRES tax, including income and expenses from Tax consolidation	(3,079)	(10,364)
Current and deferred IRAP tax	(3,086)	(2,924)
Adjustments to income taxes related to previous years	141	716
Income taxes	**(6,023)**	**(12,573)**
Consolidated net profit (loss)	**15,971**	**8,408**
Total Tax rate	**27.4%**	**59.9%**

The Profit before taxes showed an increase of € 1.0 million against a reduction of € 6.6 million in the overall tax burden. The tax rate amounted to 27.4% at 31 December 2018 against 59.9% at 31 December 2017. However, lower taxes of € 5.4 million were recognised in 2018, following the presentation of the supplementary return of Forms Unico SC 2014 - 2018. Net of these proceeds, the tax burden would be lower for € 1.2 million, due to the substantial lack of changes in some tax components compared to the changes in Profit before taxes. Furthermore, the tax rate would come to 51.7%. Lower net charges were also recognised for deferred tax assets and liabilities for € 3.0 million compared to 2017, given the partial write-off of deferred tax assets stated among non-deductible financial costs in the previous year.

4.2 Statement of financial position

With the application of the statutory, accounting and tax effects of the merger of direct parent company CMF S.p.A. by incorporation into its subsidiary Rekeep S.p.A. (“reverse merger”), the balance sheet of Rekeep S.p.A. was changed particularly as regards the structure of Sources as from 1 July 2018, with the recognition of the Senior Secured Notes bond issued by CMF S.p.A. in 2017 (equal to € 360 million) and the consequent repayment of the Proceeds Loan granted by it within the refinancing transaction (equal to € 174.2 million on the date of the merger).

Following the merger, the debt to Manutencoop Società Cooperativa relating to the Subordinated Shareholder Funding ("SSF"), equal to € 49.7 million, was also directly stated in Rekeep S.p.A.. On 17 December 2018 Manutencoop Società Cooperativa resoled the waiver of this receivable from Rekeep S.p.A., with its consequent transfer as an increase in the Equity of the subsidiary. The merger also entailed other accounting effects (since it was a transaction under common control, as analytically described in explanatory note 3 of the Notes to the Financial Statements, to which reference should be made).

The table below reports the Sources and Uses, showing the effects that the merger would have had on the separate financial statements at 31 December 2017 if the effective date had been brought forward to that date ("pro-forma CMF").

(in thousands of Euro)	31 December 2018	31 December 2017	31 December 2017 Pro-forma CMF
USES			
Trade receivables and advances to suppliers	307,940	335,977	335,977
Inventories	642	1,256	1,256
Trade payables and contract liabilities	(285,075)	(290,844)	(284,874)
Net working operating capital	**23,507**	**46,389**	**52,359**
Other elements of working capital	(51,730)	(61,452)	(62,024)
Net working capital	**(28,223)**	**(15,063)**	**(9,665)**
Property, plant and equipment	7,511	8,996	8,996
Intangible assets	347,975	314,849	348,032
Investments	153,833	154,310	154,310
Other non-current assets	48,955	60,981	61,928
Fixed assets	**558,274**	**539,137**	**573,267**
Non-current liabilities	(42,599)	(41,638)	(43,856)
NET INVESTED CAPITAL	**487,452**	**482,436**	**519,746**
SOURCES			
Shareholders' equity	174,892	307,927	119,320
Subordinated Shareholder's Funding	0	0	49,700
Net financial indebtedness	312,560	174,510	350,726
TOTAL FINANCING SOURCES	**487,452**	**482,436**	**519,746**

Net working capital

Net working capital (**NWC**) posted a negative value of € 28.2 million at 31 December 2018, with an increase in absolute value equal to € 13.2 million compared to the value posted at 31 December 2017 (€ 15.1 million).

Net working operating capital (**NWOC**), composed of Trade receivables and advances to suppliers and inventories, net of trade payables and contract liabilities, stood at € 23.5 million at 31 December 2018, while it was equal to € 46.4 million at 31

December 2017. The decrease was mainly due to a reduction in the balance of Trade Receivables and advances to suppliers (-€ 28.0 million) against a decrease in the balance of Trade payables and contract liabilities (-€ 5.8 million). The Company made assignments of trade receivables without recourse to Factors for € 116.1 million in the year, million, while the balance of receivables assigned and not yet collected by the latter at the reporting date amounted to € 46.6 million (€ 14.4 million at 31 December 2017). The **Adjusted NWOC** came to € 70.1 million and € 60.8 million, respectively, during the two years under comparison, with an overall increase of € 9.3 million.

The balance of the *Other elements in working capital* at 31 December 2018 consisted of a net liability of € 51.7 million (€ 61.5 million at 31 December 2017):

(in thousands of Euro)	31 December 2018	31 December 2017	Change
Current tax receivables	10,810	3,804	6,606
Other current assets	13,100	19,796	(6,695)
Provisions for risks and charges, current	(5,944)	(5,524)	(420)
Other current liabilities	(69,296)	(79,528)	10,232
OTHER ELEMENTS IN WORKING CAPITAL	**(51,730)**	**(61,452)**	**9,723**

The change in the net liability was attributable to a combination of various factors, mainly including:

- a reduction in "*Other current liabilities*" of the residual debt related to the fine imposed by the Competition Authority during 2016, for which the right to pay in 30 monthly instalments was granted with a measure of the Competition Authority itself on 28 April 2017. The balance of the residual debt at 31 December 2018 was € 4.4 million (€ 10.3 million at 31 December 2017), as a result of the payment of these monthly instalments;
- the recognition of higher net receivables of € 6.6 million for estimated income tax for the 2018 financial year;
- a reduction in the short-term portion of provisions for risks and charges of € 0.4 million;
- the recognition of higher net VAT receivables for € 4.3 million (€ 1.8 million at 31 December 2018 against a receivable of € 6.1 million at 31 December 2017).

Fixed assets

Fixed assets include the following main items:

(in thousands of Euro)	31 December 2018	31 December 2017	Change
Property, plant and equipment and intangible assets	29,065	30,608	(1,543)
Goodwill	326,421	293,238	33,183

(in thousands of Euro)	31 December 2018	31 December 2017	Change
Equity investments in subsidiaries, associates and joint-ventures	153,833	154,310	(477)
Other investments	4,644	4,177	466
Non-current financial assets	30,745	41,834	(11,089)
Other non-current assets	2,362	2,541	(179)
Deferred tax assets	11,204	12,429	(1,225)
FIXED ASSETS	**558,274**	**539,137**	**19,137**

The most substantial changes concerned:

- an increase in Goodwill, as a result of the accounting effects of the merger by incorporations of CMF S.p.A. which became effective on 1 July 2018 (€ 33.1 million);
- a decrease in the balance of the subordinated loan granted to subsidiary Servizi Ospedalieri S.p.A. in relation to the Senior Secured Notes issued in 2017 (- € 8.3 million), stated in Non-current financial assets;
- the release of non-current financial receivables concerning the loans granted to project companies included in the perimeter of the transaction with 3i EOPF, which were transferred to MFM Capital S.r.l. for an overall amount of € 5.0 million, to which must be added the transfer of the shareholder loan of € 2.1 million of Progetto ISOM S.p.A. to Sinloc after the disposal of the equity investment. Furthermore equity investments were transferred to MFM Capital S.r.l. for an overall carrying amount of € 5.2 million, in addition to the abovementioned sale of Progetto ISOM S.p.A. for a further decrease of € 1.8 million. The transaction with 3i EOPF also entailed the recognition of long-term financial receivables of € 2.4 million in relation to the deferred consideration due on the sale of MFM Capital S.r.l..

Other non-current liabilities

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

- TFR (employee benefits), equal to € 7.1 million and € 8.2 million at 31 December 2018 and 31 December 2017, respectively;
- long-term portion of provisions for future risks and charges (€ 22.6 million at 31 December 2018, substantially unchanged compared to 31 December 2017);
- deferred tax liabilities of € 12.9 million (€ 10.7 million at 31 December 2017).

Net Financial indebtedness

The Parent Company's net financial indebtedness at 31 December 2018 and at 31 December 2017 is reported below:

(in thousands of Euro)	31 December 2018	31 December 2017	31 December 2017 pro-forma CMF

(in thousands of Euro)	31 December 2018	31 December 2017	31 December 2017 pro-forma CMF
Long-term financial liabilities	357,538	172,150	347,658
Bank borrowings and current portion of long-term debt	37,989	49,508	50,244
GROSS FINANCIAL INDEBTEDNESS	**395,527**	**221,658**	**397,901**
Cash and cash equivalents	(63,379)	(38,564)	(38,591)
Other current financial assets	(19,588)	(8,584)	(8,584)
NET FINANCIAL INDEBTEDNESS	**312,560**	**174,510**	**350,726**

The business combination with CFM S.p.A. described at consolidated level was legally implemented in Rekeep S.p.A., which significantly changed its debt structure, repaying the Proceeds Loan outstanding with its direct parent company at 31 December 2017 (€ 174.5 million) and acquiring the debt for the Senior Secured Notes (a nominal amount of € 360 million, net of an adjustment for recognition at amortised cost, equal to € 13.5 million at 31 December 2018). If, on the other hand, the financial debt at 31 December 2018 (€ 312.6 million) is compared to the pro-forma debt at 31 December 2017 of the merger of CMF S.p.A. (€ 350.7 million), we note an appreciable improvement in the same. The figure relating to the adjusted net financial debt, which includes the balance of trade receivables assigned to the factor without recourse and not yet collected on the reporting date (€ 46.6 million at 31 December 2018 and € 14.4 million at 31 December 2017), remained in line with the pro-forma figure of 2017, from € 361.1 million at 31 December 2017 to € 359.1 million at 31 December 2018.

The year 2017 saw the payment of the six-monthly coupons on the Senior Secured Notes totalling € 36.4 million (of which an amount of € 16.2 million charged to CMF S.p.A. prior to the merger) with settlement dates on 15 June and 15 December.

Finally, current financial assets increased by € 11.0 million, mainly as a result of a rise in the credit balances of current financial accounts registered in the name of subsidiaries (+ € 6.5 million). Furthermore, there was the recognition of the financial receivable from subsidiary Rekeep Rail S.r.l. for the sale of the business unit (€ 1.6 million) and of the portion of the deferred consideration for the sale of MFM Capital S.r.l. to 3i EOPF, which is expected to be collected in 2019 (€ 2.7 million).

Industrial Capex

In 2018 industrial capex incurred by the Company totalled € 7.7 million against disinvestments of € 0.1 million (the same amount at 31 December 2017):

(in thousands of Euro)	For the year ended 31 December	
	2018	2017
Acquisition of plant and machinery	1,131	2,276
Other investments in intangible assets	6,533	3,232
INDUSTRIAL CAPEX	**7,664**	**5,508**

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

(in thousands of Euro)	31 December 2018		31 December 2017	
	Profit (loss) for the year	**Shareholders' equity**	**Profit (loss) for the year**	**Shareholders' equity**
SHAREHOLDERS' EQUITY AND PROFIT (LOSS) FOR THE YEAR AS SHOWN IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY	**15,971**	**174,892**	**8,408**	**307,927**
- Elimination of consolidated equity investment values	(903)	(163,309)		(150,823)
- Accounting of Shareholders' Equity to replace the values eliminated		64,740		54,625
- Allocation to consolidation difference		73,327		69,161
- Allocation of tangible assets	(4)	60	(4)	64
- Recognition of financial costs on options	(170)	(170)	(4)	64
- Dividends distributed to Group companies	(10,064)		(18,847)	
- Profit generated by consolidated companies	7,016	7,016	7,127	7,127
- Associates and JVs valued at equity	(2,025)	1,922	(3,579)	3,587
- Tax effects on consolidation adjustments	(9)	(171)	132	(163)
- Reversal of statutory write-downs	6,639	7,214	6,963	6,990
- Other consolidation adjustments	(717)	(608)	82	(93)
Total consolidation adjustments	**(237)**	**(10,069)**	**(7,766)**	**(9,526)**
Shareholders' equity and profit (loss) for the year pertaining to the Parent Company	**15,734**	**164,823**	**642**	**298,401**
Shareholders' equity and profit (loss) for the year pertaining to Minority Interests	109	669	73	381
SHAREHOLDERS' EQUITY AND PROFIT (LOSS) FOR THE YEAR AS SHOWN IN THE CONSOLIDATED FINANCIAL STATEMENTS	**15,843**	**165,492**	**715**	**298,782**

5. INTERNAL CONTROL AND RISK FACTORS

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

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

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

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

- Internal Audit & Antitrust Compliance Office, reporting to and functioning under the instructions of the Chairman of the Board of Directors;
- the "*Organismo di Vigilanza* (ODV)", pursuant to Legislative Decree 231/2001.

In carrying out detailed control activities, under the additional rules to the system of Internal Control, a pre-arranged sample has to be tested to see whether control activities are actually being performed. For this purpose, the control activities are analysed and aggregated in accordance with the following parameters:

- type of activity;
- process owner;
- technological platform within which the findings of the tests conducted in compliance with the control objectives are managed.

Internal administrative and accounting control activities

Operating testing activities relating to the Financial Control Framework implemented by the Company were developed on the basis of shared scopes, which were assessed on the basis of the financial statements of the companies in the Rekeep Group. For each consolidated company, falling within the scope, a first cycle of audits was conducted described as a "pilot audit" since it concentrated on the in-the-field validation of the strategies for the selection of the sample and of detailing the various aspects of the checks on the operational phases of the controls and on the functioning of the main processes. After this the key controls to be checked are tested every quarter.

Owing to the integration of various control requirements, some were borrowed from the tests conducted in accordance with Legislative Decree 231/2001, on the following areas:

- financial area;
- area of sensitive activities pursuant to Legislative Decree 231/2001 concerning processes that are also relevant for the purposes of internal control.

Afterwards an area exclusively dedicated to internal control issues was developed. This area was divided into processes being audited (Sales and distribution cycle, Purchasing cycle, General Accounting, Separate Financial Statements, Consolidated Financial Statements, Treasury).

Supervisory Board's activities under Legislative Decree 231/2001

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

The work plan is approved annually by the Supervisory Board and supplemented on the basis of the experience gained in control activities carried out in previous years. The work plan for the 2018 financial year was approved by the Supervisory Board at the meeting held on 23 April 2018.

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

a) Economic and financial flow management area: audits on the various items of the Financial Statements (Balance Sheet and Income Statement) with powers going beyond the decisions that are more closely related to the Financial Statements, conducting in-depth analysis of the entire financial cycle and the protection of the Corporate Assets (analysis of bank reconciliations, clearing bank accounts, other receivables and payables, contingent items, other accounts, etc.);

b) sensitive business areas for the purposes of Legislative Decree 231/2001: audits concerning the correct application of procedures relating to sensitive activities under Legislative Decree 231/2001 identified upon Mapping (Annex 1 attached to the Organisational, Management and Control Model). The sensitive activities subject to control are only those regarded as at "high risk" (in the above Mapping), even at the level of individual sub-activities".

For each audit, the Work Plan indicates:

1) **the check to be carried out**: describing the type of audit to be conducted;
2) **the frequency of checks**: from a quarterly to an annual basis;
3) **the contact person at the company**: for a better planning of the activity;
4) **the selection of samples**: sampling is the reference methodology for the work of the Supervisory Board and of its staff;
5) **information:** the action that is taken following the checks carried out.

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

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

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

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

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

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

Other risk factors

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

Risks related to competition

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

Financial risks

Concerning financial risks (liquidity, credit, interest rate, exchange rate and price risks) the Group deals with in its operations and how they are managed, the subject is discussed in detail under note 33 in the explanatory Notes to the Consolidated Financial Statements, to which reference should be made.

6. ORGANISATIONAL MODEL PURSUANT TO LEGISLATIVE DECREE 231/2001

In 2018 some changes were made in the legislation, concerning the provisions of law falling within the scope of application of Legislative Decree 231/2001. As a result of the entry into force of Legislative Decree no. 21 of 1 March 2018, as from 6 April 2018, amendments were made to the Criminal Penal Code which also affected Legislative Decree 231/2001 for the offences referred to.

In particular, Articles 7 and 8 of the aforementioned decree provide for:

- Article 452-quaterdecies ("Organised activities for illegal waste trafficking ") of the Criminal Code, replacing Article 260 of Legislative Decree no. 152 of 3 April 2006;
- Article 604-bis ("Propaganda and incitement to commit crimes for reasons of racial, ethnic or religious discrimination") of the Criminal Code, replacing Article 3, paragraph 3-bis, of Law no. 654 of 13 October 1975;
- minor amendments to the offences of association to commit crimes and self-laundering.

With reference to the replacement of Article 260 of Legislative Decree no. 152 of 3 April 2006 with the new Article 452-*quaterdecies* ("Organised activities for illicit waste trafficking ") of the Criminal Code, the amendments concern the penalties

imposed for the offence. In fact, the new crime provides for additional penalties, restoring the state of the environment, grating the conditional suspension of the sentence and confiscation.

With regard to the replacement of Article 3, paragraph 3-*bis*, of Law no. 654 of 13 October 1975, with the new Article 604-*bis* ("Propaganda and incitement to commit crimes for reasons of racial, ethnic or religious discrimination") of the Criminal Code, the description of the crime is extended to also include the propaganda of ideas based on racial hatred, the commission of acts of discrimination or violence on the grounds of race, ethnicity, nationality, religion, as well as the incitement to hatred and violence on the grounds of race, ethnicity, nationality, religion, as a purpose of organisations/associations/movements/groups and for those who promote or direct them.

With regard to self-laundering, the aforementioned Article 7 of Decree Law no. 152 of 13 May 1991 has been repealed by Article 7, paragraph 1.i) of Legislative Decree no. 21 of 1 March 2018. According to Article 8, paragraph 1, of Legislative Decree no. 21 of 1 March 2018, in force from 6 April 2018, the references to the provisions of the aforementioned article are intended to make reference to Article 416-*bis*.1 of the Criminal Code.

With regard to criminal association, the aforementioned Article 22-*bis*, paragraph 1, of Law no. 91 of 1 April 1999 was repealed by Article 7, paragraph 1.m), of Legislative Decree no. 21 of 1 March 2018. According to Article 8, paragraph 1, of Legislative Decree no. 21 of 1 March 2018, in force from 6 April 2018, the references to the provisions of the aforementioned article are intended to make reference to Article 601-*bis* of the Criminal Code (Trafficking in organs removed from living persons).

On 14 December 2018 Decree Law no. 135, in force from 15 December 2018, was published in the Official Gazette, which provides under Article 6 ("Provisions on the traceability of environmental data concerning waste") that as from 1 January 2019 the waste traceability control system (SISTRI) referred to in Article 188-*ter* of Legislative Decree no. 152 of 3 April 2006 will be abolished. Consequently, the provisions of Legislative Decree 231/2001 that provide for sanctions for violations of SISTRI obligations, which are no longer in force, and in particular Article 25-*undecies*, paragraph 2.g), are to be regarded as repealed.

Furthermore, on 18 December 2018 the Chamber finally approved the Bill no. 1189-B ("Measures to combat crimes against the public administration and on the transparency of political parties and movements"), which amends Legislative Decree no. 231/2001. Specifically, Article 7 ("Amendments to Legislative Decree no. 231 of 8 June 2001, governing the administrative liability of legal persons, companies and associations, including those without legal personality") provides that:

a) under Article 13, paragraph 2, the words: "Disqualification sanctions" are replaced by the following: "Without prejudice to the provisions of Article 25, paragraph 5, disqualification sanctions";

b) under Article 25, paragraph 1 is replaced by the following: “In relation to the commission of the offences referred to in Articles 318, 321, 322, first and third paragraphs, and 346-*bis* of the Criminal Code, a pecuniary penalty of up to two hundred quotas shall apply"; paragraph 5 is replaced by the following: "5. In cases of conviction for one of the offences indicated in paragraphs 2 and 3, the disqualification sanctions provided for in Article 9, paragraph 2, shall apply for a period of between four and seven years, if the offence was committed by one of the persons referred to in Article 5, paragraph 1.a), and for a period of between two and four years, if the offence was committed by one of the persons referred to in Article 5, paragraph 1.b)"; the following is added after paragraph 5: "5-bis. If, before the trial judgment is handed down, the entity has made efforts to prevent the crime from giving rise to additional consequences, in order to provide evidence of the offences and for the identification of the persons responsible or for the seizure of the sums or any other benefit transferred and has eliminated the organisational deficiencies that led to the offence being committed through the adoption and implementation of organisational models suitable

to prevent offences of the type of the one that has been committed, disqualification sanctions shall have the duration set out in Article 13, paragraph 2 ";

c) under Article 51, paragraph 1, the words “half of the maximum term set out in Article 13, paragraph 2” are replaced by the following: “one year”, under paragraph 2, second sentence, the words 'two thirds of the maximum term set out in Article 13, paragraph 2” are replaced by the following: “'one year and four months”.

Furthermore, the Bill introduces amendments to the Civil and Criminal Code: specifically:

- Article 4 ("*Amendments to the Civil Code*") provides that under Article 2635, the fifth paragraph is repealed and that under Article 2635-bis, the third paragraph is repealed;
- Article 1 ("*Amendments to the Criminal Code*") provides that:

a) under Article 9, the following is added after the third paragraph: "In the cases provided for in the provisions above, the request from the Minister of Justice or the petition or complaint from the injured party shall not be required for the offences referred to in Articles 320, 321 and 346-*bis*";

(b) under Article 10, the following is added after the second paragraph: "The request from the Minister of Justice or the petition or complaint from the injured party shall not be required for the offences referred to in Articles 317, 318, 319, 319-*bis*, 319-*ter*, 319-*quater*, 320, 321, 322, 322-*bis*".

Substantially, the provision entails more severe disqualification sanctions in the case of administrative liability in relation to the commission of specific offences against the Public Administration (extortion, undue inducement to give or promise benefits, corruption and incitement to bribery) by modifying their duration and introducing a distinction between the crime committed by top management and the crime committed by "subordinate" staff (a duration of between 4 and 7 years and of between 2 and 4 years, respectively), while previously the duration was between a minimum of one year and a maximum of 2 years without any distinction, and provided that the "reward" conditions do not exist, which are linked to the collaborative conduct provided for in the new paragraph 5-*bis* of Article 25, which refer to the application of the maximum and minimum duration provided for in general in Article 13, paragraph 2.

The precautionary measures, on the other hand, are not affected by any change in the maximum duration.

In addition, the offences against Public Administrations now include the offence of "Illegal influence trafficking" (Article 346-*bis* of the Criminal Code), to which pecuniary penalties of up to 200 quotas shall apply. The law punishes anyone who, by relying on existing relations with a public official or with a person in charge of a public service, unduly causes money or any other financial benefit to be given or promised, to himself or to others, as a consideration for his own illegal mediation towards the public official or the person in charge of a public service or to remunerate him, in relation to the performance of any act contrary to his official duties or to any omitted or delayed act of his official duties.

With the amendments to the Civil Code, the prosecutability on complaint of corruption and incitement to bribery among private individuals is no longer obligatory: the crimes can be prosecuted *ex officio* and do not require the fulfilment of the condition of prosecutability requested of the company to which the corrupt private individual belongs (complaint from the injured party).

With the amendments to the Criminal Code, the need for a request from the Ministry of Justice or for reporting from the injured party is no longer required for the prosecution of corruption and other crimes against the public administration committed abroad (these provisions are referred to in Article 4 of Legislative Decree 231/2001).

Following the changes that have occurred, Rekeep S.p.A. has updated its Organisational, Management and Control Model under Legislative Decree 231/2001. The Model was updated, considering both case law opinions and in-depth analyses of the new regulatory framework, on the basis of changes in procedures, the introduction of new activities and remarks and suggestions that emerged from the checks carried out and on changes in the company's organisation. On 13 July 2018 the Supervisory Board gave its favourable opinion on the draft Model, appointing the Chairman of the Supervisory Board to submit it for approval to the Board of Directors of Rekeep S.p.A., which then took place on 20 July 2018.

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

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

In 2018 the Supervisory Board formally met five times (13 February, 23 April, 13 July, 22 October and 19 December).

7. ANTITRUST CODE OF CONDUCT

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

The Board of Directors also appointed the Manager responsible for the implementation of the Programme (“Antitrust Compliance Officer”). The Antitrust Compliance Programme provides for training and information sessions reserved for employees and aimed at enhancing the knowledge, dissemination and effectiveness of the Code of Conduct.

During 2018 1 classroom training session was organised on 8 November 2018, which were attended by executives and first-line managers of the Procurement, Sales and Marketing, Design and Continuous Improvement, Tenders and Contracting functions.

Finally, the Antitrust Compliance Programme was updated in September 2018, with the adoption of the Antitrust Code of Conduct of the Reekep Group, aimed at management, staff and auxiliary members, including those of Group companies.

8. UPDATE ON LEGAL PROCEEDINGS

The disputes continued pending, which have been described in explanatory notes of the Consolidated Financial Statements (no. 14 and no. 31), to which reference should be made for more information. The most significant updates reported during the year are described below.

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.

Antitrust Authority's order for sanctions on the Consip Tender of 2012 and new proceedings on FM4 Tender

During 2018 administrative proceedings continued in relation to the fine levied by the Competition Authority ("AGCM") to Parent Company Rekeep S.p.A. (formerly Manutencoop Facility Management S.p.A.) on 20 January 2016 due to the breach of competition rules on the part of some companies which had taken part in a European Union tender for cleaning services in school buildings called by CONSIP in 2012. On 23 December 2016, following a number of rulings handed down by the administrative court and by the Council of State, the Authority adopted a new order, recalculating the fine at € 14,700 thousand. This order was also challenged before the Lazio Regional Administrative Court and the Company is waiting for the hearing to be set. On 24 March 2017 the Lazio Regional Administrative Court also decided against the application to stay the related payment lodged by Rekeep S.p.A. and therefore, the entire amount of the fine was reclassified to "Other operating liabilities", given the obligation to make the payment. Furthermore, the Competition Authority intervened with the measure of 28 April 2017 with regard to the request for payment by instalments submitted by the Company, allowing the latter to pay the fine in 30 monthly instalments at the legal interest rate (currently 0.3%) The Company is paying the monthly instalments on a regular basis.

In relation to the judgement of the Council of State no. 928/2017 filed on 1 March 2017 the Company filed an appeal with the Court of Cassation for jurisdiction reasons. The Court of Cassation has scheduled the hearing in chambers for 23 October 2018 and declared the appeal inadmissible on 18 January 2019.

On the other hand, on 24 April 2017, Decree Law no. 50 was published on the Official Gazette: Article 64 (Services in school) of this decree envisages the continuation of the acquisition of cleaning services and other auxiliary services until 31 August 2017 for the regions in which the Consip framework agreements "for the acquisition of cleaning services and other auxiliary services provided in order to keep school buildings and public school and education establishments clean and in working order" (known as "Consip Scuole" agreement) were terminated. In the subsequent Decree Law no. 91 of 20 June 2017, as converted with amendments by Law of 3 August 2017 and published in the Official Gazette on 12 August 2017, these services were further extended until 31 December 2017; finally, Article 1, paragraph 687, of Law 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.

On 16 June 2017, Consip officially informed Rekeep S.p.A. of its decision to exclude 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 forfeit, 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 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 21 February 2018. In this venue, the Company's appeal was rejected and on 10 March 2018 an appeal was served, which was filed with the Council of State, with the simultaneous request for an interim measure from a single-member court and the stay of execution of the challenged measure.

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. To date these agreements have not yet generated Revenues for the Group and were not included in the backlog at 31 December 2018.

In relation to the abovementioned exclusions ANAC (*Autorità Nazionale Anti Corruzione*, National Anti-Corruption Authority) decided to initiate two proceedings concerning their 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. ANAC also initiated proceedings for the application of disqualification measures, which were also suspended. 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 launched by Consip and, more in general, by the Public Administration, and any other awarding procedure in progress remains absolutely valid.

Finally, on 23 March 2017, the Competition Authority notified Rekeep S.p.A. the start 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.), Manitalldea S.p.A., Rekeep S.p.A., Romeo Gestioni S.p.A. and STI S.p.A. to ascertain whether those companies put in place a possible anti-competitive agreement whose subject matter consisted of the coordination of the procedures for taking part in the tender called by Consip in 2014 for awarding the facility management services intended for properties mainly for office use of the Public Administration (known as "FM4 Tender").

To date, the Competition Authority has started only investigations and has allowed the Company to access the records of the proceedings, as well as held the hearing to hear the Company on 24 April 2018. The Company firmly rejected the assumption of an alleged collusive agreement with the other companies involved in the proceedings. 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.

A detailed report on the administrative procedures in progress and further assessments made by the Directors at the end of the reporting period of the Consolidated financial statements at 31 December 2018 are included in the explanatory notes (note 14), to which reference is made.

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.

9. HUMAN RESOURCES AND ORGANISATION

As at the closing date of the 2018 financial year, the Rekeep Group employed 16,585 people (at 31 December 2017: 16,319 people), including personnel on lease from the Parent Company Manutencoop Società Cooperativa to Group companies, equal to 402 people (at 31 December 2017: 433 people).

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

	31 December 2018	31 December 2017
Executives	54	51
Office workers	1,196	1,210
Manual workers	15,335	15,058
EMPLOYEES	**16,585**	**16,319**

Prevention and protection

The system of delegated powers concerning safety at work was updated consistently with the most recent organizational structure during 2018. More specifically, delegated powers concerning 1st-level safety were granted and formalised by the CEO to the Managers responsible for the competent Areas and Functions.

During 2018 the "Risk Assessment Document" was revised with the issue of Rev. no.7 on 31 July 2018 and Rev. no.8 on 18 December 2018. The July update was necessary mainly as a result of the updated assessment of some specific risks (chemical, noise, vibrations, work-related stress) and following the change in the company name. The December update was also necessary mainly to update the assessment of Manual Load Handling risks for some tasks and following the updated assessment of the risk of exposure to electromagnetic fields. Evidence was also provided of the updated improvement plan for chemical risk and of the information provided to workers about tetanus vaccination. At the same time, the Health Protocol was also updated.

At the date of this Report on Operations, the following activities were in progress:

- update of Manual Load Handling Risk scenarios;
- update of Chemical Risk assessment (Hygiene);

› update of Chemical Risk assessment (integrated services).

Furthermore, external consultants are collaborating with the Company for in-depth analysis and improvements in company procedures regarding "Electrical works", "Work in confined environments and in cases of suspected pollution", "Work at height". During periodic annual meetings (Article 35 of Legislative Decree 81/2008) these issues were discussed and shared with Occupational Physicians and Workers' Safety Representatives.

In continuing the work for the certification of the "safety management system OHSAS 18001", which was started by RINA in 2012, some sample orders were assessed by the certifying body in 2018. The findings of the audits carried out reported some instances of non-compliance with respect to which the Area Managers concerned and the various Corporate staff Functions (Prevention and Protection Service, Procurement Department, HR Department) have taken any related action. These instances are mainly formal and not material. However, the audit carried out by RINA has been concluded positively as a whole and has allowed the certification to be renewed.

Finally, in 2018 a periodic audit on the part of KHC for the approval of the Safety Management Systems was carried out, limited to cleaning services in the healthcare sector and transport of patients.

In 2018 the Prevention and Protection Service conducted 43 audits, distributed throughout all the areas. These audits were carried out to verify compliance with the regulations governing occupational safety and, in the event of any non-conformities, generated an improvement plan, shared with Area Operations Managers. In any case it has been seen that Safety is managed satisfactorily overall.

Healthcare supervision, performed by 31 occupational physicians widely distributed throughout the country, concerned all personnel exposed to "regulated" risks, i.e. occupational risks that may adversely affect health. A new coordinating doctor was also chosen from among these doctors in 2018. As per the 2018 schedule, healthcare supervision was carried out on the staff members employed based on their duties in compliance with the health protocol attached to the Company's Risk Assessment Document. About 7,100 medical examinations were conducted, including periodic, long-term work absence, pre-employment and on-demand checks. During the year, an attempt was made to improve the relationship between the Company and the Occupational Physician to manage operating staff in a more flexible manner, improving knowledge of the tasks performed by the workers and the relative risks and consequently improving the effectiveness and transparency of the judgements on their suitability. In fact, workers are often required to operate in more than one working environment (for example, civil and healthcare sector) and this entails a change in the risks to which they are potentially exposed. If when cross-checking data coming from various attendance recording systems at work sites, it has been possible to identify and also include in the planning of the healthcare supervision the staff members who were exposed to risks such as to entail compulsory healthcare supervision as a result of moving from one site to another location, it is essential that the managers responsible for the sites and services report the tasks at risk assigned to the workers in order to make the judgment of suitability fair and usable for work organisation and the workers' health and safety.

The increasing trend in average age compared to the set of rules and restrictions issued by occupational physicians bring out the need for an investigation into the impact of restrictions on activities concerning:

› hygiene and auxiliary sector: manual load handling – overload of upper limbs;

- integrated services sector: working at height; working in confined environments or in cases of suspected pollution;
- logistic sector : manual load handling.

The situation referred to above also entails the risk of occupational diseases, which might generally be reported by workers to INAIL (National Institute for Insurance against Accidents at Work) through their trade unions.

During the year, it was possible for operations to have reports in order to stay informed of the trend in the Company's rate of accidents on a periodical basis, as well as of the state of health of the staff under healthcare supervision.

The Group also has a company procedure to identify the specific details of each accident so as to obtain more accurate statistical reporting which, starting with a survey of the causes, the dynamics and relating to the material agents, makes it possible to more accurately define the areas of intervention and their priority in order to reduce accidents. The latter is assessed through the following rates (data updated at 8 February 2019, net of events not recognized by INAL to date):

	2018	2017	2016	2015
Impact (no. of accidents x 1,000/average number. of workers)	70.24	69.63	62.53	66.02
Frequency (no. of accidents x 1,000,000/total worked hours)	57.27	57.73	52.58	55.33
Severity (days of accident +relapses x 1,000/ total worked hours)	1.39	1.52	1.59	1.51

There were no fatal accidents at work during 2018.

There are currently 16 Workers' Safety Representatives at Rekeep S.p.A. distributed throughout the areas of Operations. In 2018 they were involved in a training/education plan on occupational safety.

26 Health and Safety at Work inspections were also conducted at Rekeep S.p.A. during the year by control bodies (Local Health Authorities (ASL) and Provincial Labour Head Offices) on various operating units throughout the country. Finally, no environmental risk inspections were conducted by control bodies during 2018.

With regard to waste management, during the year the Prevention and Protection Service manager, with the support of external consultants, reviewed the Company's procedures (the procedure on waste management and the related operating instructions on waste classification, temporary storage, traceability and own-account transport is also being issued) and supported the *Operations* area in order to meet regulatory requirements based on the environment of each site.

Given that the regulations do not provide clear parameters, the possibility of also applying Article 266, paragraph 4, of the Consolidation Act to cleaning activities has been considered in legal terms, so as to have waste management centralised at temporary deposits, in the same way as happens for maintenance operations. Priority is still given, where possible, to solutions aimed at reducing and eliminating packaging waste through the use of single-dose soluble packs, in particular at smaller and/or isolated sites where the consumption of products is reduced and waste management is therefore more difficult

At the same time a technical and laboratory analysis was started for a more precise classification of empty product canisters. Following the issue in the Official Journal of the European Union of the "Technical guidance on the classification of waste"(2018/C 124/01), product canisters could be classified as non-hazardous waste if the residue substance originally

contained proves to be below the tolerance limit. The SISTRI system was repealed at the end of 2018. As regards the devices supplied (USB tokens) by the Ministry, to date there are no instructions yet as to how to return them. The new traceability system is expected to be issued in the first half of 2019 in order to understand the new management methods. At present it is still required to keep loading and unloading registers and the waste identification forms in paper form, including with electronic means. Therefore, legal advice remains also applicable for 2019, aimed at supporting any possible procedural updates according to regulatory developments on the subject.

Finally, the registration was renewed in the Italian Register of Waste Management Companies for category 1, class F, mechanical sweeping.

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

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

During the year, 5 training sessions on waste were organised for a total of 51 trained Contact persons and Managers. The training of staff involved in activities carried out under the European Agreement concerning the International Carriage of Dangerous Goods by Road (ADR, *Accord Européen Relatif au Transport International des Marchandises Dangereuses par Route)* was completed through the appointed Consultant.

No audits were carried out by the supervisory bodies during the year. Only one instance of non-compliance and related fine were reported in the delivery of urban waste from a customer in Viterbo to the appropriate bins, as they were always full. The analysis of the case has reported a dispute that has been pending for years between the customer and the municipality-controlled company that does not make the necessary withdrawals and that is currently considered by the Public Prosecutor's Office.

Training

In the course of the 2018 financial year 879 training sessions were held by the Group, which involved 8,468 participants for a total of 79,383.62 training hours.

The table below shows the comprehensive results in 2018, divided into subjects and compared to the 2017 data.

	2018			2017		
Subject	**Editions**	**Participants**	**Hours**	**Editions**	**Participants**	**Hours**
Safety, Quality and Environment	522	5,380	45,558	393	5,059	31,093
Technical-professional	221	2,226	14,988	88	873	8,613
IT	20	162	1,996	8	41	236
English language	70	240	5,502	12	58	634

	2018			2017		
Subject	**Editions**	**Participants**	**Hours**	**Editions**	**Participants**	**Hours**
Management	46	460	11,340	71	719	10,244
TOTAL	**879**	**8,468**	**79,384**	**572**	**6,750**	**50,819**

For all the Thematic Areas there was a significant increase in training hours, with particular emphasis on the linguistic, IT, technical and professional areas and safety. The investment in the Managerial Area is stable and, in any case, on the rise, as it had already reported a significant increase between 2016 (2,158 hours for 34 participants) and 2017.

As regards the Operations Department sessions were held for the staff members providing both hygiene services, such as operating cleaning methods and disinfection in public places, and integrated services (such as certification classes for firefighting equipment maintenance, boiler and refrigerating plant technicians and Electrical Risks (Eligible, Expert and Informed Persons and Cabins).

Training sessions continued for employees enrolled with the Council of Engineers and Architects, which were necessary in order for them to retain their registration (CFP), concerning the issues of Energy Management, SOA Certification and Thinking Process.

In 2018, the Group continued its work on managerial development that had been started in 2017 with the Talent Management project with the aim to create differentiated paths to growth on Leadership and Project Management by increasing the number of hours and participants and enhancing the skills of its Middle Managers through specific programmes. The same applies to the project work initiatives that saw the first phase of deployment on performance appraisal issues. In the management area, a resources enhancement project was also carried out, which involved the entire Top Management population with classroom and team building activities.

Finally, the Company went on with its project involving some employees attending the Executive MBA at the Alma Mater Studiorum Bologna Business School every year and training sessions were held on the issues of Negotiation and Conflict.

In 2018 great efforts were made to finance 80% of training costs by using 100% of the Foncoop funds and five times the use of the Formatemp fund.

10. ENVIROMENT AND QUALITY

During 2018 Rekeep S.p.A. obtained, once again, following an audit carried out by RINA Services (the accredit certification body), the following certifications:

- UNI CEI EN ISO 50001:2011 (Energy Management Systems)
- BS OHSAS 18001:2007 (Occupational Health and Safety Management System)
- UNI EN ISO 14001:2015 (Environmental Management System)

- UNI EN ISO 9001:2015 (Quality Management System)

Again following an audit carried out by RINA Services, it also maintained the certification for the following schemes:

- SA8000:2014 (Social Accountability System)
- UNI EN 14065:2004 (assessed according to the RABC guidelines issued by ASSOSISTEMA Rev. 1, as approved on 30 June 2010)
- UNI CEI 11352:2014 (Delivery of energy services).

In 2018 Rekeep S.p.A. also renewed its certification of the ANMDO IQC standard for the voluntary accreditation of suppliers of hospital cleaning and sanitation services.

As required by Article 30 of Legislative Decree 81/08, as amended, the Company also obtained a certificate for its Safety organisation and management plan for the "Planning and delivery of cleaning, hygiene, sanitisation, disinfection and disinfestation services in public and private civil, industrial, commercial, healthcare, logistics and transport sectors", extending the scope to the "Delivery of auxiliary services in the public healthcare sector".

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

Servizi Ospedalieri S.p.A.	The certification was renewed according to standards UNI EN ISO 9001:2015 (Quality Management System), UNI EN ISO 13485:2016 (Quality Management Systems. Requirements for regulatory purposes"), UNI EN 14065:2016 (Laundry processed textiles. Bio-contamination control system), UNI EN ISO 20471:2013 (High-visibility clothing – testing methods and requirements), BS OHSAS 18001:2007 (Occupational Health and Safety Management System), UNI EN ISO 14001:2015 (Environmental Management System). Furthermore the Company maintained the EC certification in compliance with Directive 93/42/EEC for the production of sterile kits and obtained the EC certification in compliance with Directive 89/686/EEC for the production of some Personal Protective Equipment. Furthermore, the SA8000:2014 certification and finally the UNI CEI EN ISO 50001:2011 certification (Energy management systems – Requirements and guidelines for use") were also obtained.
e-Digital Services	Work focused on maintaining the Quality Management System certification (UNI EN ISO 9001:2015) for "Planning and creation of process & technology outsourcing services for public and private clients. Delivery of call center services". Furthermore the Company maintained the certification according to standard UNI EN 15838:2010 (Contact Centers) for "Design and delivery of customised contact center services".
Yougenio S.r.l.	Work focused on the certification according to UNI EN ISO 9001:2015 standard (Quality Management System) for "Planning and delivery of facility management services (maintenance, cleaning, rearrangement of rooms and gardening)". During the year the Company maintained the qualifying company certification pursuant to Regulation (EC) no. 842/2006, Presidential Decree 43/2012 and ACCREDIA Technical Regulation RT-29, for installation, leakage control, servicing and repair services for fixed refrigeration and air-conditioning equipment and heat pumps containing certain fluorinated greenhouse gases.

	Maintenance of the certification according to the UNI EN ISO 9001:2015 standard (Quality Management System), assessed in accordance with ACCREDIA Technical Regulation RT-05 for: Design, installation and maintenance of firefighting equipment, fire barriers and anti-intrusion systems, anti-shoplifting devices, CCTV circuits and access control systems; Sale of products and services for safety at work; Provision of environmental, safety and business organisation consulting and training services; Design, construction and marketing of accident prevention equipment and safety systems for industrial machinery; Provision of labour medicine and preventive medicine services. Sector IAF: 28,29A.
Sicura S.p.A. and its subsidiaries	Maintenance of the qualifying company certification under Regulation (EC) 842/2006, Presidential Decree 43/2012 and Accredia Technical Regulations RT-29 for monitoring leakages and recovering fluorinated greenhouse gases, installing, servicing and repairing fixed fire-fighting plants and extinguishers containing fluorinated greenhouse gases. Sicura S.p.A. is also certified to deliver services for the design, installation, ordinary (preventive) maintenance and repair of burglar and robbery alarm systems in accordance with Standard CEI 79- 3:2012 – Technical specification CLC/TS 50131-7:2010 – Regulation IMQ - Performance level I – II – III Local area authorised for the release of IMQ certificates of the plants in Vicenza-Padua-Venice-Treviso.
H2H Facility Solutions S.p.A.	Maintenance of the qualifying company certification under Regulation (EC) 842/2006, Presidential Decree 43/2012 and Accredia Technical Regulations RT-29 for installation, leakage control, servicing and repair services for fixed refrigeration and air-conditioning equipment and heat pumps containing certain fluorinated greenhouse gases. Transition to the UNI EN ISO 9001:2015 standard (Quality Management System). It obtained the certification according to the UNI EN ISO 14001:201 standard (Environmental Management System).
Telepost S.p.A.	Transition to the UNI EN ISO 9001:2015 standard (Quality Management System). Transition to the UNI EN ISO 14001:2015 standard (Environmental Management System).

No final convictions against Group companies for environmental crimes were reported during 2018.

11. RELATED PARTIES TRANSACTIONS

Concerning disclosure requirements laid down in art. 2428 of the Italian Civil Code regarding transactions between Group companies and related parties, it should be noted that all transactions carried out, including those between the Parent Company and its subsidiaries, as well as between the subsidiaries themselves, fall within the scope of ordinary Group operations and are regulated at arm's length.

Equity and economic transactions as at 31 December 2018 are detailed thoroughly in the explanatory Notes to the Consolidated Financial Statements and the Separate Financial Statements of the Parent Company Rekeep S.p.A. for 2018, to which reference should be made.

12. CORPORATE GOVERNANCE

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

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

13. RESEARCH AND DEVELOPMENT

During 2018 the Parent Company Rekeep S.p.A and subsidiary H2H Facility Solutions S.p.A. started a number of 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.

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.

Total R&D costs incurred by the abovementioned companies in 2018 totalled € 1,461 thousand. The proceeds relating to this tax credit were accounted for in the consolidated Statement of profit or loss as operating grants, as a decrease in related costs, for a total of € 712 thousand.

There was no capitalisation of R&D costs.

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

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

In 2018 the company did not purchase or dispose of own shares, or shares or interests in parent companies, neither through trusts nor intermediaries.

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

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

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

16. SECONDARY OFFICES

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

17. TAX CONSOLIDATION AGREEMENT

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

- Rekeep S.p.A.
- Servizi Ospedalieri S.p.A.
- H2H Facility Solutions S.p.A.
- Telepost S.p.A.
- e-Digital Services S.r.l.
- Rekeep World S.r.l.
- Rekeep Rail S.r.l.
- Yougenio S.r.l.
- S.AN.GE. Soc. Cons. a r.l.
- S.AN.CO. Soc. Cons. a r.l.
- Sicura S.p.A.
- Protec S.r.l.
- Leonardo S.r.l.
- Evimed S.r.l.

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

- CMF S.p.A. (dissolved following the merger by incorporation into Rekeep S.p.A. with statutory, accounting and tax effects running from 1 July 2018)
- Manutencoop Immobiliare S.p.A. (dissolved following the merger by incorporation into Manutencoop Società Cooperativa with statutory, accounting and tax effects running from 1 January 2019)
- Segesta Servizi per l'ambiente S.r.l.
- Nugareto S.r.l.

18. SUBSEQUENT EVENTS

Buy-back transactions on portions of the bond issue

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.

19. OUTLOOK

The 2018 financial year was characterised by a clear and positive reversal of the trend in terms of volumes, which were finally on the rise with respect to the trend of reduction in revenues that had characterised the most recent years.

For the 2019 financial year, although there are still signs of a slowdown on the market in awarding tenders, which are instead increasingly being launched, in particular on the part of regional purchasing groups, this recovery is expected to be confirmed, in line with the Group's objective of strengthening its leading position on the domestic facility management market.

Profit margins, which are being affected on an ongoing basis by price pressure arising when contracts are renewed in the portfolio, are expected to remain substantially stable in 2019, supported by further and ongoing actions aimed at improving efficiency of variable costs and reducing fixed costs.

The 2019 financial year is expected to be a year of major breakthroughs for the Group's start-ups (Rekeep World and Yougenio).

Work will continue on the internationalization process, which showed the first effects on consolidated revenues in 2018, with the objectives of strengthening the Group's position in the markets in which it operates (France, Turkey) and entering other foreign markets, which the Group has been monitoring for some time, including through the evaluation of M&A opportunities.

On the other hand, Yougenio revealed a considerable growth potential in 2018, since it almost tripled its volumes compared to 2017, thus showing a reversal of the trend compared to the losses reported until now by the Group's start-up that operates in the home market of facility management.

Finally, 2018 saw a resumption of the deleverage process that had characterised recent years in financial terms after the overall rescheduling of the Group's debt at the end of 2017.

In 2019 it is expected to continue this plan aimed at reducing the net financial debt, based on a careful investment policy accompanied by actions aimed at limiting working capital.

20. ALLOCATION OF THE RESULT FOR THE YEAR

In concluding the report on the 2018 financial year the Directors invite you to approve the Financial Statements of Rekeep S.p.A. at 31 December 2018 and to allocate the profit for the year of € 15,971,159.42 as follows:

- Euro 798,557.97 to Legal Reserve
- Euro 15,172,601.45 to Extraordinary Reserve.

Zola Predosa, 22 March2019

The Chairman and CEO

Giuliano Di Bernardo



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