CONSOLIDATED FINANCIAL STATEMENTS

at 31 december 2019

rekeep

minds that work

GENERAL INFORMATION

REGISTERED OFFICE

Via U. Poli, 4
40069 Zola Predosa (BO)

BOARD OF DIRECTORS

Appointed by Shareholders' Meeting
of 13 October 2017

CHAIRMAN AND CEO
Giuliano Di Bernardo

VICE CHAIRMAN
Giuseppe Pinna

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

BOARD OF STATUTORY AUDITORS

Appointed by Shareholders' Meeting
of 13 October 2017

CHAIRMAN
Germano Camellini

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

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

INDEPENDENT AUDITORS

EY S.p.A.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

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

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

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

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of Euro)	NOTES	For the year ended	
		31 December 2019	31 December 2018
Net profit (loss) from continuing operations for the year		**3,350**	**15,843**
Income taxes for the year		14,956	8,426
Profit/(loss) before taxes		**18,306**	**24,269**
Amortization, depreciation, write-downs and (write-backs) of assets		37,789	31,121
Accrual (reversal) of provisions for risks and charges		4,270	2,584
Employee termination indemnity provision		1,086	1,073
Payments of employee termination indemnity		(2,119)	(1,875)
Utilization of provisions for risks and charges		(4,139)	(5,305)
Share of net profit of associates, net of dividends collected		290	2,841
Financial charges (income) for the year		41,428	32,103
Operating cash flows before movements in working capital		**96,911**	**86,812**
Decrease (increase) of inventories		(1,453)	(281)
Decrease (increase) of trade receivables		5,978	11,289
Decrease (increase) of other current assets		(6,962)	8,413
Increase (decrease) of trade payables		109	3,957
Increase (decrease) of other current liabilities		2,894	(5,984)
Change in Working Capital		**565**	**17,395**
Net interest received (paid) in the year		(33,904)	(25,823)
Income tax paid in the year		(6,715)	(11,808)
Net cash flow from operating activities		**56,857**	**66,575**
(Purchase of intangible assets, net of sales)	8	(7,681)	(7,947)
(Purchase of property, plant and equipment)	6-7	(25,020)	(24,040)
Proceeds from sales of property, plant and equipment	6-7	63	457
(Acquisition of investments)		8,700	11,041
Decrease (increase) of financial assets		2,114	460
Financial effects of business combinations	4	(10,813)	(1,529)
Assets held for sale and discontinued operations	5	(2,941)	220
Net cash flow used in investing activities		**(35,578)**	**(21,339)**
Change in finance lease debt	19	(1,143)	(445)
New (repayment of) operating leases	19	(6,993)	0

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

SUPPLEMENTARY INFORMATION

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

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

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

	Share Capital	Reserves	Retained earnings	Result for the year	Total Shareholders' equity attributable to equity holders of the parent	Equity attributable to non-controlling interests	Total Shareholders' equity
1 January 2018	**109,150**	**144,854**	**43,755**	**642**	**298,401**	**381**	**298,782**
Allocation of previous year result		8,483	(7,841)	(642)	**0**		0

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

EXPLANATORY NOTES

1. GENERAL INFORMATION

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

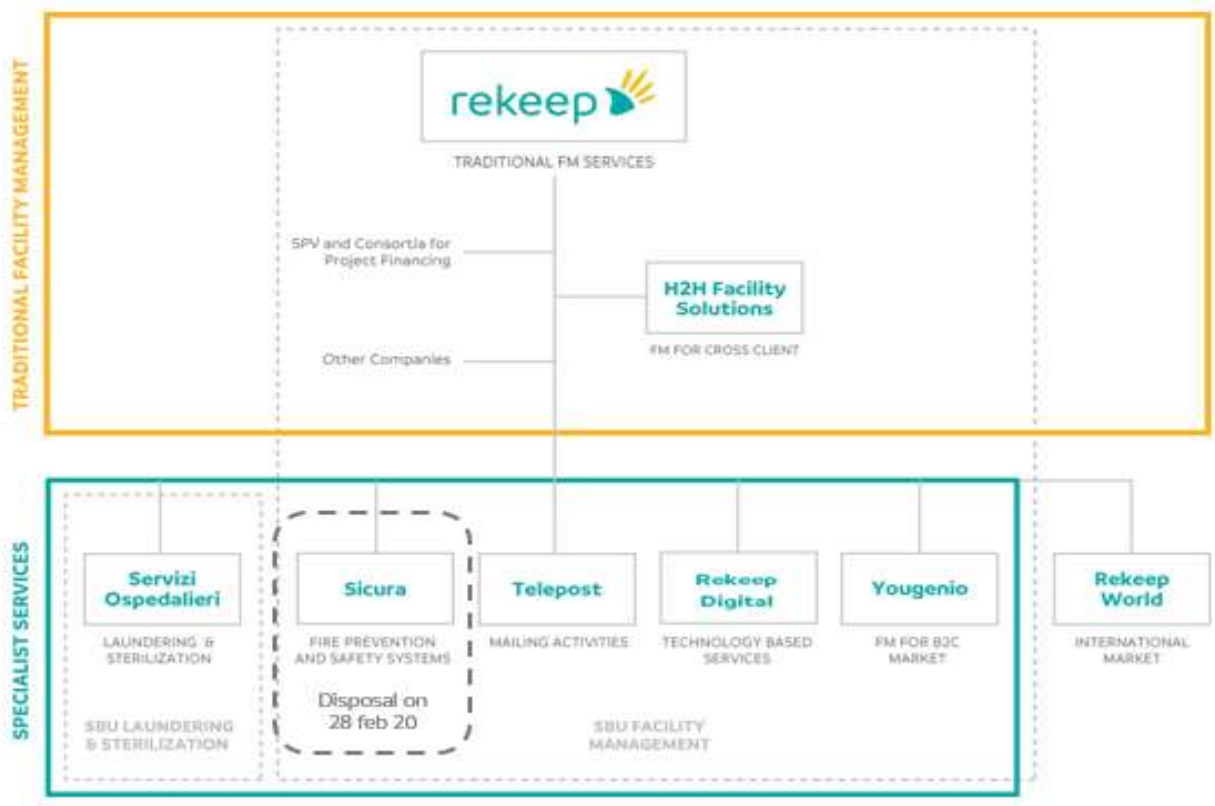
As at 31 December 2019 the share capital of Parent Company Rekeep S.p.A. was wholly held by the sole shareholder Manutencoop Società Cooperativa, which carries out Management and Coordination Activities.

1.1 The business

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

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

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



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

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

- Cleaning;
- Technical Services;
- Landscaping.

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

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

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

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

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

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

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

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

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

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

2. ACCOUNTING STANDARDS AND BASIS OF PRESENTATION

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

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

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

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

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

2.1 Statement of compliance with international accounting standards (IFRS)

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

2.2 Changes in accounting standards and disclosures

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

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

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

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

- *IFRS16 – Leases*. The scope of application of the new standard includes all lease agreements. A lease is an agreement that grants the right to use an asset ("the underlying asset") for a certain period of time against the payment of a consideration. The method to account for all leases is based on the model provided for in IAS 17, while excluding any lease that involves

goods of little value (e.g.: computers) and short-term contracts (e.g.: with a term of less than 12 months). A Therefore, a liability must be recognized as at the date on which the lease is entered into for the rentals to be paid and the asset in relation to which the entity has a right to use, accounting for financial charges and the asset's amortization/depreciation separately. In fact, as regards the lessor, the accounting method is substantially unchanged with respect to the provisions laid down under the current IAS17. For the effects of the adoption of this standard, reference should be made to note 3 below.

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

a defined-benefit plan. When a plan amendment, adjustment, curtailment or settlement occurs, IAS 19 requires entities to remeasure the net defined-benefit asset or liability. The adoption of the new standard did not entail any significant impact on the consolidated financial statements.

Improvements to IFRS

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

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

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

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

2.3 Discretionary assessments and significant accounting assumptions

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

Discretionary assessments

The main decisions taken by the directors, on the basis of discretionary assessments (excluding those relating to accounting estimates), in the application of the accounting standards of the Group, with a significant effect on the values recognized in the accounts relate to the adoption of the continuity of values principle for the recognition of business combinations under common control. Application of this principle gives rise to the recognition in the statement of financial position of values equal to those that would be recorded if the companies involved in the business combination had always been combined. The net assets of the acquiree and of the acquiring entity are therefore recorded on the basis of the carrying amounts included in their respective accounts before the transaction.

Uncertainty of estimates

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

Impairment test

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

Provisions for risks and charges and Allowance for doubtful accounts

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

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

The Group held majority interests in subsidiaries in past years in relation to which the minority shareholders held PUT options, which can be exercised in the future at prices determined on the basis of certain parameters that require estimates from

management for the purposes of reliable valuation. In this case, the correct recognition in the financial statements of the related liability requires management to make some estimates to determine the expected relevant parameters.

Recognition of revenues and costs from contracts with customers

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

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

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

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

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

Consolidation principles

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

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

Subsidiaries are consolidated on a line-by-line basis starting from the acquisition date, i.e. the date on which the Group acquires control, and are deconsolidated on the date in which control is transferred out of the Group. Acquisitions of subsidiaries, with the exception of those deriving from combinations of entities subject to joint control, are accounted for using the purchase method. This involves the allocation of the cost of the business combination to the fair values of assets, liabilities and contingent liabilities acquired at the acquisition date and the inclusion of the result of the acquiree starting from the date of acquisition until the end of the fiscal year.

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

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

Conversion of financial statements of foreign companies

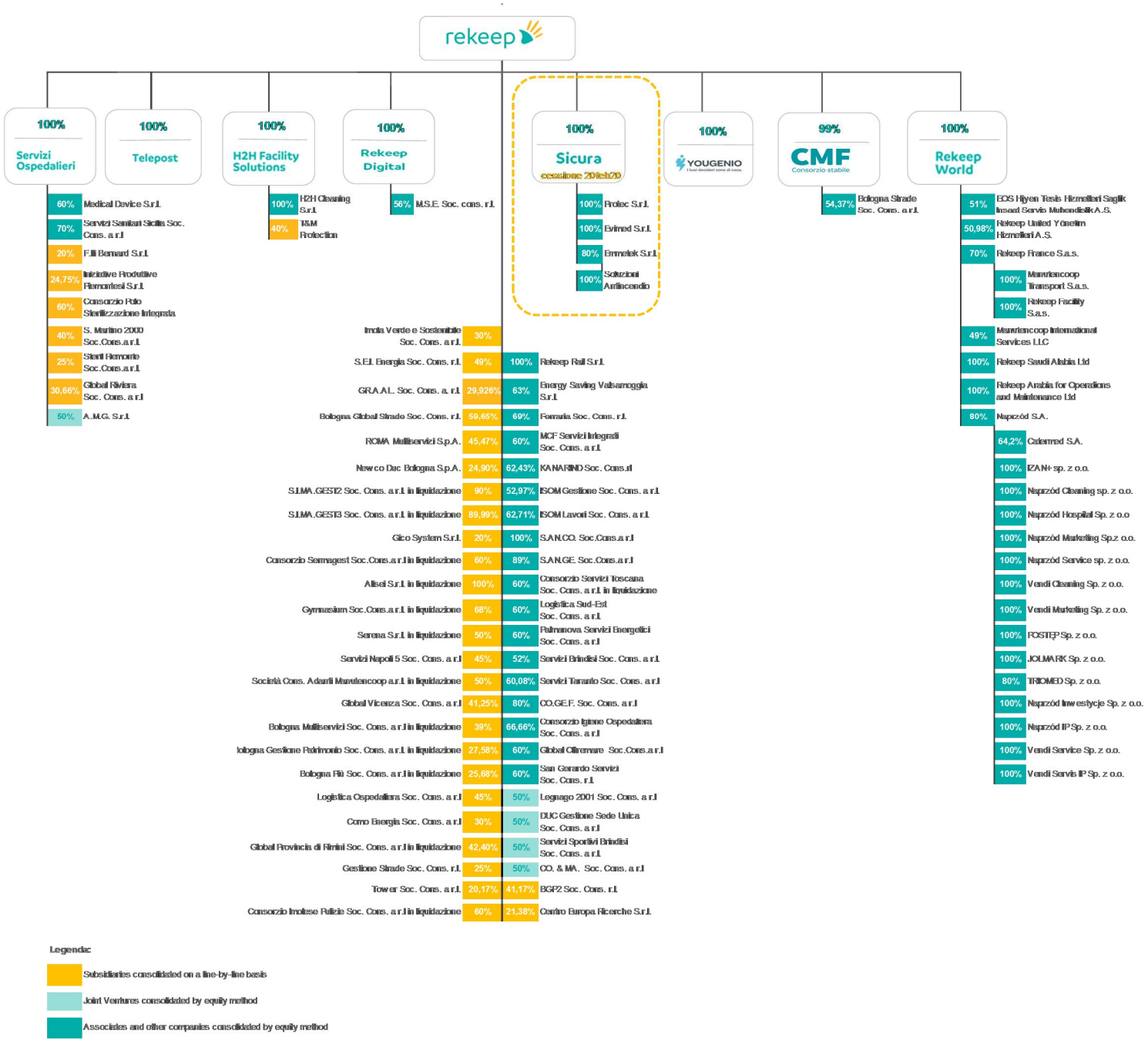
The financial statements are presented in Euro, the Group's functional currency. Statements of financial position and income statements stated in foreign currency are converted to Euro using the year-end exchange rates for the items of the Statement of Financial Position and average exchange rates for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

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

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

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

Scope of consolidation at 31 December 2019 is shown below.


rekeep
100% Servizi Ospedalieri
60% Medical Device S.r.l.
70% Servizi Sanitari Sicilia Soc. Cons. a r.l.
20% F.lli Bernard S.r.l.
24,75% Iniziative Produttive Piemontesi S.r.l.
60% Consorzio Polo Sterilizzazione Integrata
40% S. Martino 2000 Soc.Cons.a r.l.
25% Steril Piemonte Soc.Cons.a r.l.
30,66% Global Riviera Soc. Cons. a r.l.
50% A.M.G. S.r.l.
100% Telepost
100% H2H Facility Solutions
100% H2H Cleaning S.r.l.
40% T&M Protection
100% Rekeep Digital
56% M.S.E. Soc. cons. r.l.
100% Sicura cessione 20/12/20
100% Protec S.r.l.
100% Evimed S.r.l.
80% Emmetek S.r.l.
100% Soluzioni Antincendio
100% YOUGENIO
99% CMF Consorzio stabile
54,37% Bologna Strade Soc. Cons. a r.l.
100% Rekeep World
51% EOS Hijyen Tesis Hizmetleri Saglik Insaat Servis Muhendislik A.S.
50,98% Rekeep United Yönetim Hizmetleri A.S.
70% Rekeep France S.a.s.
100% Manutencoop Transport S.a.s.
100% Rekeep Facility S.a.s.
49% Manutencoop International Services LLC
100% Rekeep Saudi Alabia Ltd
100% Rekeep Arabia for Operations and Maintenance Ltd
80% Napzód S.A.
64,2% Calemred S.A.
100% IZAN+ sp. z o.o.
100% Napzód Cleaning sp. z o.o.
100% Napzód Hospital Sp. z o.o
100% Napzód Marketing Sp.z o.o.
100% Napzód Service sp. z o.o.
100% Vendi Cleaning Sp. z o.o.
100% Vendi Marketing Sp. z o.o.
100% POSTEP Sp. z o.o.
100% JOLIMARK Sp. z o.o.
80% TRIOMED Sp. z o.o.
100% Napzód Inwestycje Sp. z o.o.
100% Napzód IP Sp. z o.o.
100% Vendi Service Sp. z o.o.
100% Vendi Servis IP Sp. z o.o.
Imola Verde e Sostenibile Soc. Cons. a r.l. 30%
S.El. Energia Soc. Cons. r.l. 49% 100% Rekeep Rail S.r.l.
GRA.AL. Soc. Cons. a. r.l. 29,926% 63% Energy Saving Valsamoggia S.r.l.
Bologna Global Strade Soc. Cons. r.l. 59,65% 69% Formula Soc. Cons. r.l.
ROMA Multiservizi S.p.A. 45,47% 60% MCF Servizi Integrati Soc. Cons. a r.l.
Newco Duc Bologna S.p.A. 24,90% 62,43% KANARIND Soc. Cons.rl
S.I.M.A. GEST2 Soc. Cons. a r.l. in liquidazione 90% 52,97% ISOM Gestione Soc. Cons. a r.l.
S.I.M.A. GEST3 Soc. Cons. a r.l. in liquidazione 89,99% 62,71% ISOM Lavori Soc. Cons. a r.l.
Gico System S.r.l. 20% 100% S.A.N.CO. Soc.Cons.a r.l.
Consorzio Sanmagest Soc.Cons.a r.l.in liquidazione 60% 89% S.A.N.GE. Soc.Cons.a r.l.
Allseil S.r.l. in liquidazione 100% 60% Consorzio Servizi Toscana Soc. Cons. a r.l. in liquidazione
Gymnasium Soc.Cons.a r.l. in liquidazione 68% 60% Logistica Sud-Est Soc. Cons. a r.l.
Serena S.r.l. in liquidazione 50% 60% Palmanova Servizi Energetici Soc. Cons. a r.l.
Servizi Napoli 5 Soc. Cons. a r.l. 45% 52% Servizi Brindisi Soc. Cons. a r.l.
Società Cons. Adaurli Manutencoop a.r.l. in liquidazione 50% 60,08% Servizi Taranto Soc. Cons. a r.l.
Global Vicenza Soc. Cons. a r.l. 41,25% 80% CO.GE.F. Soc. Cons. a r.l.
Bologna Multiservizi Soc. Cons. a r.l. in liquidazione 39% 66,66% Consorzio Igiene Ospedaliera Soc. Cons. a r.l.
Bologna Gestione Patrimonio Soc. Cons. a r.l. in liquidazione 27,58% 60% Global Cliremare Soc.Cons.a r.l.
Bologna Più Soc. Cons. a r.l. in liquidazione 25,68% 60% San Gerardo Servizi Soc. Cons. r.l.
Logistica Ospedaliera Soc. Cons. a r.l. 45% 50% Legnago 2001 Soc. Cons. a r.l.
Como Energia Soc. Cons. a r.l. 30% 50% DUC Gestione Sede Unica Soc. Cons. a r.l.
Global Provincia di Rimini Soc. Cons. a r.l. in liquidazione 42,40% 50% Servizi Sportivi Brindisi Soc. Cons. a r.l.
Gestione Strade Soc. Cons. r.l. 25% 50% CO. & MA. Soc. Cons. a r.l.
Tower Soc. Cons. a r.l. 20,17% 41,17% BGP2 Soc. Cons. r.l.
Consorzio Imolese Pulizie Soc. Cons. a r.l. in liquidazione 60% 21,38% Centro Europa Ricerche S.r.l.
Legenda:
Subsidiaries consolidated on a line-by-line basis
Joint Ventures consolidated by equity method
Associates and other companies consolidated by equity method

During the 2019 financial year note the following events:

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

Furthermore, note the following events:

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

2.4 Summary of the main accounting policies

Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

Business combinations

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

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

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

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

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

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

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

Goodwill

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

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

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

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

Other intangible assets

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

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

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

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

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

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

Equity investments in joint ventures and associates

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

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

Impairment of assets

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

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

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

Financial assets

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

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

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

The accounting policies applied by the Group are the following:

Financial asset at amortized cost

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

Financial assets at fair value through OCI

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

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

Inventories

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

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

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

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

Trade receivables and other receivables

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

Contractual activities on plant construction orders

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

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

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

Cash and cash equivalents

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

Loans

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

Derecognition of financial assets and liabilities

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

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

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

Impairment of financial assets

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

Assets valued according to the amortized cost criterion

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

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

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

Assets recognized at cost

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

Financial assets at fair value through OCI

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

Provisions for risks and charges

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

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

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

Provision for employee termination benefits

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

Employee benefits

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

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

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

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

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

The Group has no other significant defined benefit pension plans.

Leases

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

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

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

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

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

Revenue recognition

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

Provisions of services

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

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

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

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

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

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

Plant construction activities

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

Sales of assets

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

Interest

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

Dividends

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

Government grants

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

Income taxes

Current taxes

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

Deferred taxes

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

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

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

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

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

- deferred tax assets connected to deductible temporary differences arise from the initial recognition of an asset or liability in a transaction which is not a business combination and which, at the time of the transaction, does not have any effect on the profit for the year calculated for financial statement purposes or the profit or loss calculated for tax purposes;

- with reference to taxable temporary differences associated with equity investments in subsidiaries, associates and joint ventures, deferred tax assets are recognized only to the extent in which it is likely that the deductible temporary differences will be reversed in the immediate future and that sufficient tax profits will be generated against which the temporary differences can be used.

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

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

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

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

VAT

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

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

Service concession arrangements

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

The concessionary company shall not carry infrastructure under tangible assets as it does not hold “control”, as set forth in IFRIC 12. The asset to be recognized is the right to use the infrastructure for providing the service, to be classified as a financial asset in the presence of an unconditional right to receive future compensation regardless of actual use of the infrastructure and as an intangible asset in the presence of a right to exploit the infrastructure itself in financial terms, charging users based on use of the service received. Provision is also made for a “mixed” accounting model if the concessionary company is the holder of both a

financial asset and an intangible right, where it is necessary to separate the component of remuneration as provided for under the agreement relating to the financial asset, determining the amount of the intangible asset as a secondary activity (with respect to the value of the construction services provided).

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

Earnings per share

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

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

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

Operating segments

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

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

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

Methods of calculation of costs allocated to segments

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

Methods of calculation of assets and liabilities allocated to segments

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

Changes in accounting estimates and errors

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

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

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

3. EFFECTS OF CHANGES IN ACCOUNTING STANDARDS

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

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

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

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

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

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

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

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

	Property leases	Corporate fleet vehicles	Equipment
Useful life	Definite		
Amortization of Right of Use	Amortization on a straight-line basis over the shorter period of:		

	Property leases	Corporate fleet vehicles	Equipment
	> legal term of the right of use > expected period of use		
Financial amortization	In fixed instalments and decreasing capital quota		
Marginal discount rate	Between 4.90% and 5.00%	Between 3.00% and 5.00%	Between 3.00% and 4.00%

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

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

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

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

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

	31 December 2018	Effects of adoption of IFRS 16	1 January 2019
Assets			
Non-current assets			
Property, plant and equipments	67,991		67,991
Property, plant and equipments under lease	5,984	45,436	51,420
Goodwill	407,622		407,622
Other intangible assets	25,634		25,634
Investments accounted for under the equity method	19,207		19,207
Other investments	4,905		4,905

	31 December 2018	Effects of adoption of IFRS 16	1 January 2019
Non-current financial assets	5,662		5,662
Other non-current assets	2,897		2,897
Deferred tax assets	15,017	887	15,904
Total non-current assets	**554,919**	**46,323**	**601,242**
Current assets			
Inventories	7,421		7,421
Trade receivables and advances to suppliers	417,930		417,930
Current tax receivables	14,658		14,658
Other current assets	22,320		22,320
Current financial assets	5,532		5,532
Cash and cash equivalents	94,733		94,733
Total current assets	**562,594**	**0**	**562,594**
Assets held for sale	0		0
Total non-current assets held for sale	**0**	**0**	**0**
TOTAL ASSETS	**1,117,513**	**46,323**	**1,163,836**

	31 December 2018	Effects of adoption of IFRS 16	1 January 2019
Shareholders' equity			
Share capital	109,150		109,150
Reserves	5,029	(1,617)	3,412
Retained earnings	34,911	(657)	34,254
Profit/(loss) for the year attributable to equity holders of the Parent	15,734		15,734
Equity attributable to Equity Holders of the Parent	**164,824**	**(2,273)**	**162,551**
Capital and reserves attributable to non-controlling interests	559	(8)	551
Profit/(loss) for the year attributable to non- controlling interests	109		109
Equity attributable to non-controlling interests	**668**	**(8)**	**660**
TOTAL SHAREHOLDERS' EQUITY	**165,492**	**(2,281)**	**163,211**
Non-current liabilities			
Employee termination indemnity	14,730		14,730
Provisions for risks and charges, non-current	25,189		25,189
Long-term financial debt	361,687	41,602	403,289
Deferred tax liabilities	14,525	2	14,527
Other non-current liabilities	660		660
Total non-current liabilities	**416,791**	**41,604**	**458,395**

	31 December 2018	Effects of adoption of IFRS 16	1 January 2019
Current liabilities			
Provisions for risks and charges, current	6,948		6,948
Trade payables and contract liabilities	399,602		399,602
Current tax payables	954		954
Other current liabilities	90,360		90,360
Bank borrowings, including current portion of long-term debt, and other financial liabilities	37,366	7,000	44,366
Total current liabilities	**535,230**	**7,000**	**542,230**
Liabilities directly associated with assets held for sale	0		0
Liabilities directly associated with assets held for sale	**0**		**0**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**1,117,513**	**46,323**	**1,163,836**

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

	31 December 2018	Effects of adoption of IFRS 16	31 December 2018 restated for the effects of IFRS 16
Revenue			
Revenue from contracts with customers	943,740		943,740
Other revenue	6,142		6,142
Total revenue	**949,882**		**949,882**
Operating costs			
Costs of raw materials and consumables	(140,144)		(140,144)
Change in inventories of finished and semi-finished products	43		43
Costs for services and use of third-party assets	(325,258)	9,717	(315,541)
Personnel costs	(392,548)		(392,548)
Other operating costs	(6,660)		(6,660)
Lower costs for internal work capitalised	4,140		4,140
Amortization, depreciation, write-downs and write- backs of assets	(31,122)	(7,958)	(39,080)
Accrual (reversal) to provisions for risks and charges	(2,584)		(2,584)
Total operating costs	**(894,133)**	**1,759**	**(892,374)**
Operating income	**55,749**	**1,759**	**57,508**
Financial income and expenses			
Share of net profit of associates	1,466		1,466

	31 December 2018	Effects of adoption of IFRS 16	31 December 2018 restated for the effects of IFRS 16
Dividend and net income/(loss) from sale of investments	(843)		(843)
Financial income	1,597		1,597
Financial expenses	(33,544)	(2,294)	(35,838)
Gains / (losses) on exchange rate	(156)		(156)
Profit/(loss) before taxes from continuing operations	**24,269**	**(535)**	**23,734**
Income taxes	(8,426)	149	(8,277)
Profit/(loss) from continuing operations	**15,843**	**(386)**	**15,457**
Profit (loss) from discontinued operations	0		0
Net profit (loss) for the year	**15,843**	**(386)**	**15,457**
Net profit (loss) attributable to non- controlling interests	(109)	1	(108)
Net profit (loss) for the year	**15,734**	**(385)**	**15,349**

4. BUSINESS COMBINATIONS

4.1. Acquisition of a majority stake in Naprzód SA

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

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

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

Accounting effects of the acquisition

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

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

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

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

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

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

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

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

In order to provide full and exhaustive disclosures on the transaction under examination, it should be noted that the total financial liability that would have been reported in these financial statements had all the uncertainty factors mentioned above been absent, would have been equal to the present value of the difference between the updated measurement of 100% of the equity investment (calculated on the basis of the 2024 data and the applicable multiplier) and the amount measured in the current financial year for its 80% (€ 16,190 thousand). This means that if the updated measurement of the equity investment were equal to the current one, the financial liability related to the options described above would amount to about € 4 million discounted to present value. If, on the other hand, in line with the expectations of the Group's management, the income and financial performance of the

Naprzód Group would lead to an updated measurement of the higher equity investment, the liability to be recognized would have been higher for the same discounted amount.

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

	Recognized value	Book value
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipments	10,172	10,172
Property, plant and equipments under lease	3,636	3,636
Other intangible assets	100	100
Non-current financial assets	2	2
Other non-current assets	1	1
Deferred tax assets	560	560
TOTAL NON-CURRENT ASSETS	**14,470**	**14,470**
CURRENT ASSETS		
Inventories	572	572
Trade receivables and advances to suppliers	17,595	17,595
Current tax receivables	1,971	1,971
Other current receivables	902	902
Cash and cash equivalents	2,343	2,343
TOTAL CURRENT ASSETS	**23,383**	**23,383**
TOTAL ASSETS	**37,853**	**37,853**
LIABILITIES		
NON-CURRENT LIABILITIES		
Long-term financial debt	2,882	2,882
Deferred tax liabilities	1,069	1,069
TOTAL NON-CURRENT LIABILITES	**3,951**	**3,951**
CURRENT LIABILITES		
Short-term loans	10,567	10,567
Trade payables and contract liabilities	15,135	15,135
Other current liabilities	9,945	9,945
TOTAL CURRENT LIABILITIES	**35,648**	**35,648**
TOTAL LIABILITIES	**39,599**	**39,599**

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

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

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

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

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

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

Accounting effects of the acquisition

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

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

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

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

4.3. Acquisition of a majority quota in Emmetek

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

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

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

Accounting effects of the acquisition

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

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

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

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

	Recognized value	Book value
Current financial assets	0	350
Cash and cash equivalents	1,399	1,049
TOTAL CURRENT ASSETS	**2,589**	**2,589**
TOTAL ASSETS	**2,653**	**2,653**
LIABILITIES		
NON-CURRENT LIABILITIES		
Provisions for employee termination indemnity	(1)	(1)
Long-term financial debts	18	18
Deferred tax liabilities	10	10
TOTAL NON-CURRENT LIABILITIES	**27**	**27**
CURRENT LIABILITIES		
Short-term loans	8	3
Trade payables and contract liabilities	343	343
Current tax payables	125	125
Other current liabilities	93	93
TOTAL CURRENT LIABILITIES	**569**	**564**
TOTAL LIABILITIES	**596**	**596**
FAIR VALUE OF NET ASSETS	**2,056**	**2,056**
GOODWILL ARISING FROM THE BUSINESS COMBINATION	**4,793**	
Total cost of the business combination:		
Consideration paid to the transferor at the closing date	3,377	
Deferred consideration	2,210	
Fair value of the options on minority interests	1,262	
TOTAL COST OF THE BUSINESS COMBINATION	**6,849**	
Net cash used in the acquisition:		
Cash and cash equivalents of the acquired company	1,399	
Consideration paid to the transferor	(3,377)	
Additional costs for the acquisition	(45)	
NET CASH USED IN THE ACQUISITION	**(2,023)**	

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

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

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

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

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

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

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

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

The items described above are reported below in detail.

Non-current assets held for sale

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

	31 December 2019

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

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

Liabilities directly associated with non-current assets held for sale

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

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

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

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

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

6. PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

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

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

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

7. PROPERTY, PLANT AND EQUIPMENT UNDER LEASE

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

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

	Property under finance lease	Plant and equipment under finance lease	Rights of use of property	Rights of use of plant and machinery	Total
Historical cost	4,992	8,171	55,666	28,276	97,105
Accumulated depreciation and impairment losses	(542)	(4,133)	(20,057)	(20,316)	(45,048)
IFRS5 Reclassification		(22)	(4,053)	(836)	(4,911)
NET BOOK VALUE	**4,450**	**4,016**	**31,556**	**7,124**	**47,146**

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

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

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

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

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

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

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

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

8. OTHER INTANGIBLE ASSETS

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

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

	Other intangible assets	Goodwill	Total
Accumulated amortization and impairment losses	(99,774)	(2,393)	(102,167)
IFRS5 Reclassification	(522)	(42,588)	(43,111)
NET BOOK VALUE	**26,823**	**387,778**	**414,601**

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

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

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

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

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

	Other intangible assets	Goodwill	Total
NET BOOK VALUE	**25,169**	**370,363**	**395,532**
At 31 December 2018			
Historical cost	117,480	410,015	527,495
Accumulated amortization and impairment losses	(91,846)	(2,393)	(94,239)
NET BOOK VALUE	**25,634**	**407,622**	**433,256**

9. IMPAIRMENT TEST OF GOODWILL

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

SBU – Facility management

The SBU is identified with:

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

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

SBU – Laundering & Sterilization

The SBU is identified with:

- Servizi Ospedalieri S.p.A., operating in the linen rental and industrial laundering segment for hospitals and the sterilization of linen and surgical instruments

- Medical Device S.r.l., acquired during 2018 financial year and specialized in the production of procedural kits containing all the devices needed to support the healthcare team in performing surgical procedures
- other minor investee companies active in the same segment in Italy.

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

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

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

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

Facility management CGU Goodwill

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

- Operation ‘Palladio’, which took place on 29 December 2003, involved the Group acquiring control of the business unit relating to facility management technical services previously managed by the parent company Manutencoop Società Cooperativa;
- Acquisition of MCB S.p.A., a company through which the Group established the first facility management unit for “network” customers (banks, insurance companies, etc.). In 2010, MCB S.p.A. was merged by incorporation into MP Facility S.p.A. (now H2H Facility Solutions S.p.A.);
- Acquisition of Teckal S.p.A., which was merged by incorporation into Manutencoop Facility Management S.p.A. in 2010, through which the Group strengthened the production structure of traditional facility management, in particular in the heat management service;

- Acquisition of Altair IFM S.p.A. (the most significant transaction to date), which enabled the Group to gear the customer portfolio towards large private customers. In 2010 the larger companies in the Altair sub-group were merged by incorporation into Manutencoop Facility Management S.p.A;
- Reverse merger of the Parent Company CMF S.p.A. by incorporation into the subsidiary Rekeep S.p.A. with statutory, accounting and tax effects starting from 1 July 2018. The operation, defined as an "Operation Under Common Control" since it was carried out between parties subject to common control, gave rise to the recognition of a merger deficit in the assets up to the amount recorded in the Consolidated Financial Statements in which the companies involved in the merger participate, i.e. that of Manutencoop Società Cooperativa. The non-recognisable difference also gave rise to a negative equity reserve.

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

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

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

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

Laundering & Sterilization CGU Goodwill

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

- Acquisition during the 2003 financial period of a business unit dealing with the linen rental and industrial laundering and sterilization activities for public and private healthcare of LIS S.p.A., with contracts mainly located in the Marche Region;

- Acquisition during the 2006 financial period of a business unit dealing with the linen rental and industrial laundering and sterilization activities for public healthcare of Lidi Service S.p.A., the activity of which was carried out in Porto Garibaldi (province of Ferrara) plant;
- Acquisition of Omasa S.p.A. in 2007, a company operating in the market for the sterilization of surgical instruments and linen, as well as following further minor acquisitions, all made by Servizi Ospedalieri S.p.A., a company operating in the linen rental and industrial laundering and sterilisation market. Omasa S.p.A. was then merged by incorporation into Servizi Ospedalieri S.p.A. on 1 July 2009;
- On 3 July 2018, acquisition of Medical Device S.r.l., a trading company which has acquired over the years many certifications for the marketing of Class 3 medical devices, particularly critical for their intended use and requiring very complex certification procedures by Notified Bodies.

Impairment Test

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

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

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

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

- The expected future cash flows, for the period from 2020 to 2024, extrapolated from the Business Plan, are derived from projected cash flows obtained through:
    - determination of the value of the forecast gross margins according to the projection of the backlog of existing service contracts, augmented by the assumptions of renewals and new portfolio acquisitions;
    - estimates of changes in Net Working Capital on the basis of the target days of stock rotation, the payment of amounts due and collection of receivables;

- assumptions of investments consistent with the performance of forecast revenues in the various business sectors in which the Group operates;

- A terminal value used to estimate future results beyond the time horizon expressly considered. The terminal value was determined by applying a NOPLAT equal to 2024 EBIT adjusted by the average expected depreciation and amortization and investments, net of a nominal tax rate. As regards long-term growth rates, an assumption of 1% was considered for all CGUs;
- The expected future cash flows were discounted back at a discount rate (WACC) of 7.51% for the Facility management CGU (2018: 8.16%), at a discount rate (WACC) of 6.88% (2018: 7.58%) for the Laundering&Sterilization CGU and at a discount rate (WACC) of 8.21% for Naprzód. The WACC was determined by using the Capital Asset Pricing Model ("CAPM"), by which the risk-free rate was calculated with reference to the curve of the rates of return of Italian long-term government bonds, while the non-diversifiable systematic risk ratio (βeta) and the debt/equity ratio were extrapolated from the analysis of a group of comparable companies operating in the European facility management and laundering sector. In addition, in order to reflect the uncertainty of the current economy and the future market conditions, the cost of the equity component of the WACC rate was increased with a risk premium of 200 basis points for Facility management and Naprzód CGUs e and 100 basis points for Laundering&Sterilization CGU in each period of time.

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

10. INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD

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

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

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

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

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

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

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

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

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

11. OTHER NON-CURRENT ASSETS

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

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

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

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

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

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

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

Finally, as at 31 December 2019, "Other non-current assets" included the receivable of € 94,611 thousand that the Parent Company Rekeep S.p.A. had reported against an entry of the payable for the payment of the deposit relating to the fine imposed on it by the Competition Authority in relation to the Consip FM4 Tender (referred to in note 21 "Contingent liabilities below). Even while pending the proceedings on the merits, the hearing of which is set for 6 May 2020, the Company took steps to recognize the liability arising from the notice of payment issued by the Revenue Agency – Collection among "Other current liabilities" in the Statement of Financial Position for the corresponding amount (€ 94,611 thousand). This liability will be paid off upon the payment of the 72 instalments set in the plan of instalment payment of the notice itself, according to the methods set out and until the Company's appeal is possibly granted within the pending proceedings. Furthermore, the deposit was stated among non-current balance sheet assets, since it constitutes a receivable against sums that are potentially subject to return following the settlement of the existing dispute (however, the time required for the judgment to become final cannot be estimated at present) and that cannot however be claimed automatically, even following the repayment of the entire debt.

12. INVENTORIES

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

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

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

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

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

	31 December 2019	of which from related parties	31 December 2018	of which from related parties
Contractual activities	27,284		25,215	
Trade receivables, gross	411,299		404,894	
Allowance for doubtful accounts	(31,617)		(33,283)	
Trade receivables from third parties	**406,966**	**0**	**396,826**	**0**
Trade receivables from Manutencoop Società Cooperativa	65	65	88	88
Trade receivables from Rekeep Group companies	9,270	9,270	11,796	11,796
Trade receivables from Affiliates and Joint Ventures	4,293	4,293	4,142	4,142
Trade receivables from Group	**13,628**	**13,628**	**16,026**	**16,026**
Advances to suppliers	7,403	3	5,078	1
IFRS5 Reclassification	(15,425)	(9)	0	
TRADE RECEIVABLES AND ADVANCES TO SUPPLIERS	**412,572**	**13,622**	**417,930**	**16,027**
Other tax receivables due within 12 months	18,393		12,845	
Other current receivables from third parties	8,718		5,845	
Short-term receivables from social security institutions	1,261		1,187	
Short-term receivables from employees	195		146	
Other current assets from third parties	**28,567**	**0**	**20,023**	**0**
Current assets from Manutencoop Società Cooperativa	8	8	10	10
Current assets from associates	166	166	103	103
Current assets from associates	0	0	23	23
Other current assets from Group	**174**	**174**	**136**	**136**
Accrued income	228		0	
Prepaid expenses	2,480		2,161	
Accrued income and prepaid expenses	**2,708**	**0**	**2,161**	**0**
IFRS5 Reclassification	(395)		**0**	

	31 December 2019	of which from related parties	31 December 2018	of which from related parties
OTHER CURRENT ASSETS	**31,054**	**174**	**22,320**	**136**

The balance of trade receivables and advances to suppliers, which also includes contract assets, amounted to € 412,572 thousand at 31 December 2019, showing a decrease of € 5,358 thousand compared to the amount at 31 December 2018 (€ 417,930 thousand), which takes account of the reclassification of the balances pertaining to Gruppo Sicura to "Non-current assets held for sale", equal to € 15,425 thousand. Net of this reclassification, trade receivables would have reported an increase equal to € 10,067 thousand.

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

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

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

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

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

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

The assignements made during the year are summarized below :

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

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

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

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

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

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

	Total	Trade receivables reaching maturity	Overdue trade receivables				
			< 30 days	30 - 60 days	60 - 90 days	90 - 120 days	beyond 120 days
31 December 2019	379,683	283,184	23,850	11,193	6,431	4,720	50,305

	Total	Trade receivables reaching maturity	Overdue trade receivables				
			< 30 days	30 - 60 days	60 - 90 days	90 - 120 days	beyond 120 days
31 December 2018	371,611	257,171	33,996	12,945	9,559	5,078	52,862

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

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

- tax receivables, mostly relating to the VAT payments made by the Group companies (€ 15,830 thousand against € 11,358 thousand at 31 December 2018), which continue to show a credit balance given the widespread application of the regulations governing "Split-payment" and "Reverse charge" to the cycle of purchasing and sales invoicing. During 2019 assignments without recourse of VAT receivables of some Group companies were made for a total nominal amount of € 31,280 thousand and an interest discount of € 231 thousand;
- receivables for credit balances of current accounts held at Unicredit, managed in the name and on behalf of INPDAP (Social Security Institute for employees in public administration), as envisaged in a property management contract entered into with the aforementioned authority for € 2,173 thousand. At present some restrictions have been placed on said accounts as a result of the dispute that has arisen with INPDAP. Therefore, for the purposes of an accurate presentation, it was deemed appropriate to classify said item under *Other current receivables*;
- R&D tax credits totalling € 618 thousand. During the year the Parent Company Rekeep S.p.A and subsidiary Telepost S.p.A. started R&D projects in order to improve their business and delivery of services. The projects were developed and coordinated by internal resources based on their specific skills and duties, with the involvement of specific consultants for the various areas of business and were all completed in 2019. The income relating to tax credits were accounted for in the Consolidated Statement of Profit/Loss as operating grants, as a decrease in the related costs incurred, for a total of € 48 thousand, while capital grants of € 266 thousand were recognized, as a direct reduction in the historical cost of the assets, against R&D costs stated among intangible assets.

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

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

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

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

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

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

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

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

15. SHARE CAPITAL AND RESERVES

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

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

The Parent Company does not hold own shares.

Reserves and retained Earnings

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

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

- The reserve originating from the recognition of joint operations, which includes the differences between the purchase cost and the net carrying amount of the assets acquired under business combinations between jointly-controlled entities, for a negative amount of € 244,186 thousand, for the recognition of the effects of the merger of CMF S.p.A. by incorporation into Rekeep S.p.A. in 2018;
- The Parent Company's extraordinary reserve equal to € 38,226 thousand;
- The Parent Company's transition reserve originated following the adoption of the new IFRS 16 – Leases, accounted for according to the "Modified retrospective approach", providing for the retrospective application to the agreements previously classified as "operating leases", recognising the cumulative effects of this transition upon first-time adoption as an adjustment to the balance of equity reserves at 1 January 2019 (negative for € 1,617 thousand).

	Share premium reserve	Legal reserve	Reserves for effects on SE of equity-accounted companies	Translation reserve	SORIE reserve	Other reserves	Total reserves
1 January 2018	**145,018**	**19,704**	**3,154**	**0**	**(5,233)**	**(17,789)**	**144,854**
Allocation of profits of previous years		420			74	7,989	8,483
Increase in Equity Reserves						49,700	49,700
Combinations "Under Common Control"						(198,261)	(198,261)

	Share premium reserve	Legal reserve	Reserves for effects on SE of equity-accounted companies	Translation reserve	SORIE reserve	Other reserves	Total reserves
Economic effects accounted on equity			315	(309)	247		253
31 December 2018	**145,018**	**20,124**	**3,469**	**(309)**	**(4,912)**	**(158,361)**	**5,029**
Effects of the change in accounting standards						(1,617)	(1,617)
1 January 2019	**145,018**	**20,124**	**3,469**	**(309)**	**(4,912)**	**(159,978)**	**3,412**
Allocation of profits of previous years		799		309	(117)	15,173	16,163
Distribution of reserves		907				(13,907)	(13,000)
Economic effects accounted on equity			67	16	(949)		(866)
31 December 2019	**145,018**	**21,830**	**3,536**	**16**	**(5,977)**	**(158,713)**	**5,710**

The table below shows changes in *Retained earnings*:

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

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

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

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

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

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

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

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

16. EMPLOYEE TERMINATION INDEMNITY (TFR)

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

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

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

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

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

	31 December 2019	31 December 2018
Discount rate	0.37%-0.77%	1.80%

	31 December 2019	31 December 2018
Inflation rate	1.00%	1.50%
Estimated turnover	From 3.5% to 15.00%	From 1.5% to 11.50%

The discount rates used to assess the TFR obligation are defined on the basis of curves of rates of return of high-quality fixed-interest securities, the amounts and maturity dates of which correspond to the amounts and maturity dates of the payments of expected future benefits. In 2019 two different discount rates were used by the Group depending on the remaining average period of time during which personnel remains in the each company, equal to 0.37% and 0.77% (1.80% in 2018).

The estimated turnover rate is presented in a range as the actuary appointed by the Group Companies for the actuarial estimate of the liability used different turnover rates for the individual companies.

The effects on the TFR obligation from the increasing or decreasing measurement of the financial rates in relation to reasonably possible changes in interests rates and in the assumptions of average duration of the working population, while maintaining all the other variables unchanged, are illustrated below:

	Financial year ended 31 December 2019	
	Assumptions	Employee Termination Indemnity
Discount rate	+ 0.25 bps	12,332
	- 0.25 bps	12,792
Inflation rate	+ 0.25 bps	12,687
	- 0.25 bps	12,432
Actuarial assumptions	+ 2.00 ppt	12,408
	- 2.00 ppt	12,723

Below are reported the data relating to the average number of the Group's employees and of the workers provided to the Group by Manutencoop Società Cooperativa:

	For the year ended	
	31 December 2019	31 December 2018
Executives	58	53
White collars	1,319	1,203

	For the year ended	
	31 December 2019	31 December 2018
Blue collars	16,821	15,197
AVERAGE STAFF	**18,198**	**16,452**

The average number of leased employees provided to the Group by Manutencoop Società Cooperativa was equal to no. 387 units at 31 December 2019 (31 December 2018: no. 418 units).

17. PROVISIONS FOR RISKS AND CHARGES

The breakdown and changes in the provisions for risks and charges for the year ended 31 December 2019:

	Risks on investments	Risks on job orders	Pending legal disputes	Tax litigation	Agents' indemnity leave	Termination employee benefits	Other provisions	Total
At 1 January 2019	**87**	**4,630**	**23,525**	**1,160**	**244**	**394**	**2,098**	**32,137**
Accruals		1,808	3,118	(0)	0	0	374	**5,300**
Uses		(655)	(1,918)	(531)	0	(36)	(998)	**(4,139)**
Reversals		(745)	(128)	(90)	0	0	(67)	**(1,030)**
Others		(0)	0	0	18	0	0	**18**
IFRS5 Reclassification							(455)	**(455)**
At 31 December 2019	**87**	**5,038**	**24,597**	**538**	**262**	**358**	**952**	**31,831**
At 31 December 2019:								
Current	*87*	*4,973*	*271*	*447*	*0*	*358*	*255*	***6,392***
Non-current	*0*	*64*	*24,326*	*91*	*262*	*0*	*696*	***25,439***
At 31 December 2018:								
Current	*87*	*4,529*	*91*	*914*	*0*	*394*	*933*	***6,948***
Non-current	*0*	*101*	*23,434*	*246*	*244*	*0*	*1,165*	***25,189***

Provision for risks on investments

The item, amounting to € 87 thousand at 31 December 2019 (unchanged compared to 31 December 2018), includes the provision for unrecoverable future losses of Group companies and related to the subsidiary Alisei S.r.l. in liquidation.

Provision for risks on job orders

This provision includes, at consolidated level:

- estimated risks relating to potential disputes with customers, on the report of works;
- estimated penalties charged by customers;
- estimated costs to complete job orders, in respect of which no additional revenues will be paid.

The balance at the end of the period amounted to € 5,038 thousand, up by € 407 thousand against accruals of € 1,808 thousand and uses and releases totalling € 1,401 thousand.

Provisions for pending legal disputes

At the reporting date of the financial statements, the risk was assessed for the Group to be required to pay future compensation in the event of losing cases in legal actions pending with customers, suppliers, employees and others. During the year ended 31 December 2019 the provision, totalling € 24,597 thousand, recorded increases for accruals to provisions of € 3,118 thousand and decreases for uses and releases totalling € 2,046 thousand.

Provisions were mainly recognized to hedge the risks involving the Parent Company Rekeep S.p.A. for € 1,903 thousand. Uses and releases for the period, of which an amount of € 1,728 thousand attributable to the Parent Company, relate to the use of provisions set aside in previous years against the settlement of disputes with suppliers and of actions with other persons or entities.

On 20 January 2016 AGCM considered that it had found a breach of competition rules on the part of some companies which had taken part in a European Union tender for cleaning services in school buildings called by CONSIP in 2012 and levied a fine initially equal to € 48,510 thousand against the parent company Rekeep S.p.A. (formerly: Manutencoop Facility Management S.p.A.). On 14 October 2016, the Lazio Regional Administrative Court ruled by partially granting the appeal filed by Rekeep S.p.A. and referring the papers to the Authority for a new calculation of the fine. Rekeep S.p.A. challenged the trial judgment before the Council of State and, subsequently, before the Supreme Court, which declared the appeal finally inadmissible on 18 January 2019. Furthermore, on 23 December 2016 the Authority executed the Lazio Regional Administrative Court's ruling and adopted a new order, recalculating the fine at € 14,700 thousand. This order was also challenged before the Lazio Regional Administrative Court and the Company is waiting for the hearing to be set.

The Company is regularly paying this fine, for which the payment was obtained in 30 monthly instalments at the legal interest rate. The debt was fully paid off during 2019.

As a result of the Competition Authority's fine ruling, on 4 February 2016 Consip S.p.A. initiated a procedure to terminate the Agreements entered into within the tender in question, also informing the Company that it would consider the possibility of excluding it from future tenders for "work of the same type", including pursuant to article 38, paragraph 1, letter f) of Legislative Decree 163/06. On 23 November 2016 Consip S.p.A. also gave Rekeep S.p.A. notice of the final termination of the agreements, expressly stating that it would confiscate the part of the final guarantee deposit (performance bond) which remained after the

deposit had been partially released considering the work done normally up to the termination date. It also notified the intention to report the facts to the Italian Anti-Corruption Authority (*Autorità Nazionale Anti-Corruzione*, ANAC) and to the Public Prosecutor's Office.

On the other hand, on 24 April 2017, Italian Law Decree no. 50 was published on the O.G.: Article 64 (Services in school) of this law decree envisaged, for the regions in which the Consip framework agreements "*for cleaning and other services provided in order to keep school buildings and Public Administration training establishments clean and in working order*" (c.d. "Consip Scuole") have been terminated, the continuation of the acquisition of cleaning services and other auxiliary services until 31 August 2017. In the subsequent Decree Law no. 91 of 20 June 2017, converted with amendments into Law on 3 August 2017 and published on the O.G on 12 August 2017, these services were further extended until 31 December 2017; finally, Article 1, paragraph 687, of Law no. 205 of 27 December 2017 ("2018 Budget Law") provided for these agreements to continue until 30 June 2019, in order to allow the regular performance of educational activities for the 2018-2019 school year.

The Government, under the 2019 Budget Law (Article 1, paragraph 760, of Law no. 145/2018), ordered the re-insourcing of cleaning services in schools, which will be actually carried out for almost all schools from 1 March 2020, through the Ministry of Education, Universities and Research starting a selection procedure aimed at recruiting the staff currently in charge of delivering this service who meet the necessary requirements. On 2 December 2016 Consip S.p.A. formally notified the Italian Anti-Corruption Authority (*Autorità Nazionale Anti-Corruzione*, ANAC) of its accusations against Rekeep S.p.A., as notified in the notice of termination of the Agreements, together with the intention to make a report to the Public Prosecutor's Office. On 7 January 2017 the Company served a writ of summons on the entity, asking the Ordinary Court of Rome to establish the unlawfulness of the notice of termination of the agreements and order Consip S.p.A. to compensate for any damage suffered by the Company. The next hearing for specifying conclusions has been scheduled on 27 October 2020.

The next hearing has been set for 16 October 2018. The tender performance bond (initially equal to € 24.5 million) might also be partially enforced if the Company loses the case against Consip S.p.A.. ANAC has proceeded with the entry of the contract termination, as well as of the challenge against the same on the part of Rekeep S.p.A. before the Civil Court of Rome and of the filing of an appeal with the Supreme Court against the Council of State's judgment no. 928/2017 in its computerised records. As regards the latter appeal, the Supreme Court declared inadmissible on 18 January 2019. The Company then filed an appeal with the European Court of the Human Rights to seek compensation for damages arising from the events described above, which was rejected on 14 November 2019.

On 16 June 2017, Consip officially informed Rekeep S.p.A. of its own decision concerning the exclusion of the Company from the tenders for new agreements relating to cleaning services of barracks ("Consip Caserme") and to cleaning services with health service providers ("Consip Sanità"), with the intention also to confiscate, in this last case, the surety given by the Company during the tender for the amount of approximately € 10.4 million (known as "bid bond"). However, on 13 July 2017 and on 14 September 2017 respectively, the Lazio Regional Administrative Court ordered the suspension of the measures of exclusion, deferring the decision on the merits of the appeal to the hearing scheduled for 25 October 2017, which was rescheduled for 21 February 2018. In this venue the Company had its appeal rejected and, on 10 March 2018, an appeal with the Council of State was served, while submitting a request for precautionary measure from a single-member court and for suspension of the enforcement of the challenged order.

Furthermore, on 30 March 2018 Consip informed Rekeep S.p.A. that it had submitted a request to the competent insurance company to enforce the Company's warranty provided in relation to the Consip Caserme tender. However, the insurance company did not grant the request following the Council of State's decision handed down on 5 April 2018, whereby both the execution of the Lazio Regional Administrative Court's decision on the exclusion of Consip Caserme and Consip Sanità tenders and the related effects (also in relation to the enforcement of sureties) have been suspended and the hearing on the merits of the Company's appeal was held on 28 June 2018. However, by a subsequent order dated 19 July 2018, the Council of State proceeded with the "improper suspension of proceedings", since it considered that the relevant decision within the dispute was that on the preliminary issue pending before the European Court of Justice, which had been raised by the Piedmont Regional Administrative Court on 21 June 2018, as to whether the breach of competition rules fell within the scope of cases of "serious errors committed in professional practice" provided for in Article 38 of the Code of Public Contracts under Legislative Decree 163 of 12 April 2006 ("Old Code of Public Contracts"). The enforcement of the judgment is still suspended, as provided for in the previous order of 5 April 2018. On 2 June 2019, finally, the European Court of Justice ruled on the abovementioned preliminary issue, declaring the breach of competition rules attributable to the case raised by the Piedmont Regional Administrative Court. Accordingly the hearing on the merits before the Council of State has been rescheduled for 16 January 2020; in that venue the Company's appeal was partially rejected, although without knowing the related reasons, for which the Board reserved the right to file grounds. Any assessment of the possible objection against the judgment by extraordinary means of appeal, such as an appeal with the Supreme Court on jurisdictional grounds or an appeal for revocation before the Council of State, will be postponed after having read the reasons for the judgment.

Following the judgment handed down by the Council of State on 16 January 2020, Consip s.p.A. asked the guarantors to enforce the guarantees (bid bonds) provided in the interest of Rekeep for the Consip Sanità tender (equal to € 10.4 million) and Consip Caserme (equal to € 3.4 million). Rekeep S.p.A., with independent appeals and additional grounds, challenged these measures before the Lazio Regional Administrative Court and obtained a single-member board's Presidential decree suspending them until the hearing to be held on 4 March 2020 before the Regional Administrative Court, which confirmed the suspension until the decision on the merits scheduled for 1 July 2020. In relation to the above-mentioned exclusions, ANAC (*Autorità Nazionale Anti Corruzione*, National Anti-Corruption Authority) decided to open two proceedings concerning its entry in the electronic criminal records of ANAC, as "Useful information". These proceedings were also suspended by ANAC until the outcome on the merits mentioned above and of proceedings for the application of disqualification measures, which have also been suspended.

In the Consolidated Financial Statements at 31 December 2016, after the Regional Administrative Court's judgment of 14 October 2016, which was confirmed by the Council of State's judgment of 1 March 2017, and which substantially reduced the fine that had previously been imposed while not accepting the Company's argument that it was completely extraneous to the accusations, the Directors already decided to maintain the provisions for future charges (equal to € 17.5 million), also taking account of the risk of enforcement of the abovementioned performance bond and bid bonds and despite the fact that Rekeep S.p.A. could submit sound arguments against the enforcement of the bonds in court.

With reference to the events referred to above, the Directors also point out that, despite a context that is significantly affected by new regulations and more restrictive approaches with respect to the previous ones, the Company believes that a risk may actually

arise mainly with regard to delays in awarding some tenders attributable to situations of further worsening of the disputes connected with the participation in or the awarding of said tenders. To date the risk of the Company being temporarily excluded from public tenders as a result of an order issued by the ANAC can be reasonably regarded as not probable, above all when considering the data that Rekeep S.p.A. has recorded in relation to measures providing for the exclusion from tenders as a result of the Competition Authority's orders, which at present are four only from the adoption of the Competition Authority's Consip Scuole order (January 2016). As things stand as regards the abovementioned proceedings, there is no impediment for Rekeep S.p.A. to the participation and awarding of new calls for tenders by Consip and, more in general, by the Public Administration, and any other awarding procedure in progress remains absolutely valid. Moreover, on 16 June 2017, Rekeep S.p.A. received official communication from Consip to sign the agreements for the two batches of the "Consip Mies 2" tender relating to the award of an "integrated technology multi-service with energy supply for buildings used by Public Health Administrations": these agreements were formally signed on 20 September 2017 and the procedure to sign the individual supply orders was subsequently started. The Consip Sanità and Consip Caserme tenders did not generate consolidated Revenues until 31 December 2019 and are not included in the Group's backlog at 31 December 2019.

On 6 March 2020 Consip also notified the exclusion from the Consip Musei tender, with the request for enforcement of the related tender guarantee, which was formalised on 13 March 2020, and sending a notice to ANAC whereby it asked the latter to enter the exclusion in its records as "useful information.

Provision for termination employee benefits

This provision has been set aside to include the amounts due for severance and employee redundancy costs, as part of the sundry restructuring plans implemented by some Group companies over the last few years. The provision recorded a balance equal to € 358 thousand at 31 December 2019 (€ 394 thousand at 31 December 2018), against total uses of € 36 thousand in the year.

Provision for tax disputes

At 31 December 2019 the provision amounted to € 538 thousand, recording uses and releases which gave rise to a decrease of € 622 thousand during the year.

The change is almost fully attributable to the subsidiary H2H Facility Solutions S.p.A. whit reference to which, on 14 June 2018, the Italian Tax Police, Bologna Finance Police Unit, started a tax audit involving the subsidiary H2H Facility Solutions S.p.A., concerning the 2015 tax year (which was subsequently also extended to the 2013, 2014, 2016, 2017 and 2018 tax years) for income tax, VAT and IRAP (Regional Production Activity) tax purposes. Upon the completion of the audit, the Tax Police served a Report of Findings on the Company; in consideration of the dispute still pending with the Revenue Agency, the Company deemed it appropriate to set aside a specific provision for risk totalling € 435 thousand, relating to some remarks at the reporting date of the 2018 financial statements. During 2019 the dispute was settled by agreeing to settlement concessions procedures and determining the use of the provision and the release of the excess amount.

Other provisions for risks and charges

The provision, amounting to € 2,952 thousand at 31 December 2019, showing a decrease of € 1,146 thousand compared to the previous year (€ 2,098 thousand), which was affected by the reclassification of the balance at 31 December 2019 concerning the sub-group controlled by Sicura S.p.A. (€ 455 thousand) to discontinued operations. Net of this reclassification, provisions were reported for € 374 thousand and uses and releases for € 1,065 thousand, of which an amount of € 891 thousand relating to the Parent Company Rekeep S.p.A. during 2019.

18. DERIVATIVES

At 31 December 2019, the Group did not record any derivative assets or liabilities.

19. BORROWINGS, LOANS AND OTHER CURRENT FINANCIAL LIABILITIES

The items Non-current loans and Loans and other current financial liabilities include both the non-current and current portion of loans from credit institutions and consortium members, respectively. Furthermore, in application of the financial method of recognizing leases, payables to other lenders are included, as well as other current debt balances of a financial nature such as, for example, the debt for the acquisition of investments or business units and the liability for dividends to be paid.

As at 31 December 2019 the Group reported the new item of “Financial liabilities for operating leases”, as a result of the first-time adoption of the new accounting standard “IFRS16 – Leases” (for which reference should be made to note 3).

The tables below set forth the qualitative breakdown by current and non-current financial liabilities at 31 December 2019 and at 31 December 2018:

	31 December 2019	within 1 year	from 1 year to 5 years	after 5 years
Senior Secured Notes	339,905		339,905	
C.C.F.S. loan	8,889	1,111	7,778	
Artigiancassa loan	1,556	239	1,317	
ETNO Bank Spółdzielczy Mortgage Loan	88	25	63	
Other bank loans	4,310	39	4,271	
Prepaid interest expenses	(831)	(509)	(322)	
Accrued interest expenses	1,530	1,530		
Long-term bank borrowings and current portion of long-term bank borrowings	**355,447**	**2,435**	**353,013**	**0**

	31 December 2019	within 1 year	from 1 year to 5 years	after 5 years
Current account overdrafts, advance payments and hot money	2,446	2,446		
Finance lease obligations	5,853	1,451	3,114	1,288
Financial liability for operating leases	42,920	6,086	21,157	15,676
Loans from syndicated shareholders	893	554	16	323
Loan from Parent Company Manutencoop Società Cooperativa	165	165		
Other financial liabilities	1,970	30	1,940	
Obligations from assignments of trade receivables with recourse	28,174	28,174		
Amounts collected on behalf of assignees of trade receivables	7,558	7,558		
Options on subsidiaries' minority shareholdings	231		231	
Debt for the acquisition of investments / business units	9,929	9,929		
Payables for dividends to sole shareholder	13,000	13,000		
Share capital to be paid into investee companies	3	3		
Total FINANCIAL LIABILITIES	**468,589**	**71,830**	**379,471**	**17,288**
IFRS5 Reclassification	8,363	1,635	4,350	2,378
TOTAL FINANCIAL LIABILITIES BEFORE IFRS5 RECLASSIFICATION	**476,952**	**73,465**	**383,821**	**19,666**

	31 December 2018	within 1 year	from 1 year to 5 years	after 5 years
Senior Secured Notes	346,475		346,475	
C.C.F.S. loan	10,000		10,000	
Artigiancassa loan	1,676		958	718
Other bank loans	778	704	74	
Prepaid interest expenses	(1,125)	(512)	(613)	
Accrued interest expenses	1,700	1,700		
Long-term bank borrowings and current portion of long-term bank borrowings	**359,504**	**1,891**	**356,894**	**718**

	31 December 2018	within 1 year	from 1 year to 5 years	after 5 years
Current account overdrafts, advance payments and hot money	5,247	5,247		
Finance lease obligations	3,577	451	1,604	1,523
Loans from syndicated shareholders	1,217	483	87	647
Loan from Parent Company Manutencoop Società Cooperativa	216	216		
Other financial liabilities	7	7		
Obligations from assignments of trade receivables with recourse	18,379	18,379		
Amounts collected on behalf of assignees of trade receivables	9,934	9,934		
Options on subsidiaries' minority shareholdings	214		214	
Debt for the acquisition of investments / business units	756	756		
TOTAL FINANCIAL LIABILITIES	**399,053**	**37,366**	**358,799**	**2,888**
Effects of adoption of IFRS 16	48,602	7,000	20,077	21,526
TOTAL FINANCIAL LIABILITIES	**447,655**	**44,366**	**378,876**	**24,414**

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

On 6 July 2017, the CMF S.p.A. vehicle launched a high-yield bond issue named "*€360,000,000 9.0% Senior Secured Notes due 2022*", which is not convertible and not subordinated, for a total amount on account of principal of € 360 million and due 15 June 2022. The Notes, which were reserved for institutional investors and were listed on the Euro MTF segment managed by the Luxembourg Stock Exchange, as well as on the Extra MOT, Pro Segment, of Borsa Italiana, were issued at a price equal to 98% and a coupon at a fixed rate of 9.0% p.a., payable on a six-monthly basis. The terms and conditions referred to in the rules of the Bond Issue are laid down in the Indenture, which is governed by the law of the State of New York. This bond issue was initially deposited by Bank of New York in escrow account, until it was released on 13 October 2017.

As required by the Offering Memorandum for the bond issue, on 1 July 2018 the Group completed the merger of CMF S.p.A. by incorporation into its subsidiary Rekeep S.p.A., according to Article 2501-*bis* (merger with debt), thus giving rise to the acquisition directly by Rekeep S.p.A. of the bond issue, together with any related obligations and guarantees described below in this paragraph and in note 35.

The rules of the bond issue provide for a system of guarantees and covenants to protect the Bondholders' investment. There are in fact some limitations on the financial operations of the Issuer and of its subsidiaries, while allowing the Group to operate freely, provided that the operations carried out contribute added value and cash flows to the Group, at least potentially. These covenants substantiate in some limitations on the possibility of incurring new indebtedness and making distribution of dividends, investments and some types of payments outside the Restricted Group (restricted payments). Furthermore, there are also rules governing

the allocation of sums obtained from the sale of fixed assets, the performance of non-recurring and related-party transactions and the release of collateral on corporate assets to third parties. The covenants in question substantiate in the compliance with certain financial parameters (incurrence base financial covenants), the fulfilment of some conditions or the application of a quantitative limit on the performance of the transactions referred to above rather than in a full prohibition on carrying out the aforesaid transactions. Finally note interim reporting obligations concerning the Group's financial position, results of operations and cash flows. The limits and provisions laid down in the rules of the bond issue are in line with market practice for similar operations. The failure by the Issuer to comply with one or more covenants, in addition to significant events that give rise to a state of insolvency, constitute default events. There is the possibility of remedying most of them within a certain period of time. The default event relating to the state of insolvency or the failure to remedy the other default events constitute grounds for *acceleration*, i.e. the beneficiary's forfeiture of the right to the time limit and the early redemption of the Notes. No default events had occurred and the financial parameters, which are not subject to periodic audits, had been in any case complied with at the reporting date of these Financial Statements.

In early 2019 Rekeep S.p.A. also formalised the purchase of portions of its bond issue on the open market for a nominal total of € 10,300 thousand, which were subsequently cancelled. The weighted average repurchase price was less than 85% against a price for the issue equal to 98% at 6 July 2017. These transactions entailed the recognition of financial capital gains equal to € 1,598 thousand through consolidated profit or loss for the period.

Finally, the upfront fees relating to the issue of the Senior Secured Notes were accounted for according to the amortized cost method, which, in accordance with IFRS 9, entailed the recognition of financial amortization charges in 2019, equal to € 3,730 thousand, of which an amount of € 387 thousand relating to the write-off of the portion relating to the repurchased Notes.

Super Senior Revolving Credit Facility (RCF)

At the same time as the bond issue, CMF S.p.A. also entered, as the Parent Company, into a Super Senior Revolving loan agreement for € 50 million (RCF), to which Rekeep S.p.A. was a party as Borrower.

The 5-year credit facility (expiring on 15 December 2021) provides for a credit line at sight, in a maximum nominal amount of € 50 million, for the entire term. The facility was activated in order to meet temporary cash requirements (if any) and therefore ensures greater financial flexibility. After the merger of CMF S.p.A. by incorporation into subsidiary Rekeep S.p.A., Servizi Ospedalieri S.p.A. may also access the Super Senior Revolving credit facility, providing a specific personal security.

The Super Senior Revolving loan agreement provides for compliance with a financial covenant, which is preliminary to the possible use of the line granted. This financial covenant is in line with the market practice for similar financing transactions and is recognized on a quarterly basis on the basis of the data relating to the last 12 months, as resulting from the financial position, results of operations and cash flows approved during the quarter prior to the date of the application for use of the credit facility. On the reporting date of these financial statements the financial covenants had been complied with and no use of the facility had been requested from the execution of the agreement.

Prepaid interest expenses

At 31 December 2019 the Group recognized prepaid interest expenses of € 831 thousand. The item mainly related to arrangement fees initially paid by CMF S.p.A. for entering into the Super Senior Revolving (RCF) facility agreement. In 2017 CMF S.p.A. charged back all the costs concerning the subscription of this credit line (initially equal to € 1.0 million) to Rekeep S.p.A.. These costs were amortized on a straight-line basis throughout the term of the credit facility and showed a remaining balance of € 469 thousand at 31 December 2019.

Accrued interest expenses

At 31 December 2019 the Group also recognized accrued interest expenses for € 1,530 thousand, of which an amount of € 1,399 thousand relating to the amount accrued on the coupon of the Senior Secured Notes due 15 June 2020.

C.C.F.S. loan (Rekeep S.p.A.)

On 14 November 2017 the Parent Company Rekeep S.p.A. signed a loan agreement with CCFS for a total amount of € 10 million. The loan includes two lines of credit, the first of which, amounting to € 5,000 thousand, was disbursed at the same time as the execution and will expire in April 2023. The second 66-month line of credit, for an additional amount of € 5,000 thousand, was disbursed on 13 February 2018 and provides for the repayment in six-monthly instalments, with a pre-amortization period of 12 months. Both lines are subject to an interest rate composed of a 6-month Euribor plus a spread. This loan is also backed by a pledge on the shares of subsidiary H2H Facility Solutions S.p.A..

As at 31 December 2019 the loan showed a remaining value of € 8,889 thousand following the payment of the first two instalments for the repayment of the second line.

ETNO Bank Spółdzielczy (Naprzód Group) Mortgage Loan

The amount of € 88 thousand consists of the remaining value of a mortgage loan which was taken out by subsidiary Jol-Mark of the newly-acquired Polish Naprzód group, due to expire on 31 July 2023.

Artigiancassa loan (Rekeep S.p.A.)

On 21 June 2018 the Parent Company obtained a soft loan from the “Energy and Mobility Fund” of the Marche Regional Government, aimed at supporting the development of energy efficiency of healthcare units. This soft loan is disbursed partly in the form of an 8-year financing on the part of Artigiancassa S.p.A. for an amount of € 1,676 thousand and a pre-amortization period of 12 months. This loan does not bear interest and provides for the payment of 14 six-monthly instalments falling due on 31 March and 30 September of each year.

As at 31 December 2019 the loan showed a remaining balance of € 1,556 thousand following the payment of the first instalment for repayment.

Other bank loans

Other bank loans amounted to € 4,310 thousand at 31 December 2019, consisting of loans taken out by the companies in the newly-acquired Naprzód sub-group with bank counterparties for € 4,236 thousand, of which an amount of € 3,965 thousand was already outstanding as at the closing date. As at 31 December 2018 the item, equal to € 778 thousand, related almost entirely to a loan taken out by Rekeep S.p.A. with Deutsche Bank S.p.A. which was repaid in August 2019.

Current account overdraft, advance payments and hot money

At 31 December 2019 this item showed a balance of € 2,446 thousand, against an amount of € 5,247 thousand at the end of the previous year.

Bank overdrafts and advance payments are not backed by guarantees. Their management is linked to temporary cash requirements within inflows and outflows on the reporting date.

As at the reporting date, an amount of € 4 thousand relating to overdrafts and advance payments pertaining to the sub-group controlled by Sicura S.p.A. was reclassified to "Liabilities directly associated with non-current assets held for sale".

Obligations arising from finance lease

The lease agreements entered into are not secured and are signed by subsidiaries Servizi Ospedalieri S.p.A., Medical Device S.r.l., the Turkish subsidiary EOS and some companies in the Polish Naprzód sub-group. They refer to motor vehicles and plant and machinery, mainly relating to Servizi Ospedalieri S.p.A. that uses them in the laundering and sterilization production processes, and to the Naprzód Group. During 2019 Servizi Ospedalieri signed three new lease agreements for € 289 thousand. An additional amount of € 3,416 thousand was recognized following the business combination of the Naprzód Group.

As at the reporting date an amount of € 21 thousand of finance leases was reclassified to "Liabilities directly associated with non-current assets held for sale" since they pertained to Gruppo Sicura.

Financial liability for operating leases

Following the adoption of the new accounting standard IFSR16 – *Leases*, the Group recognized a financial liability of € 42,920 thousand at 31 December 2019. This liability consists of the present value of all the future payments to be made under agreements previously classified as "operating leases". The main cases of operating leases reported within the Group concern: (i) property leases for the Group's offices throughout Italy, (ii) long-term hire for the corporate fleets of the Group companies, (iii) other forms of hiring of equipment used in the performance of some work contracts.

Compared to the value at 1 January 2019 (shown in the table at 31 December 2018 as additional information for comparative purposes), when it totalled € 48,602 thousand, the liability recorded a net reduction of € 5,683 thousand, of which an amount of € 5,347 thousand was attributable to the reclassification of the balance of the operating lease liability pertaining to Gruppo Sicura to "Liabilities directly associated with non-current assets held for sale" at 31 December 2019. Other changes related to the payment of lease and hire rentals and early termination for € 6,991 thousand and to increases for new agreements concerning property leases and the long-term hire of vehicles and equipment, equal to € 6,493 thousand, and to the contribution given by the business combination of the Naprzód Group for € 162 thousand.

The analysis conducted upon first-time adoption in the Consolidated Financial Statements highlighted, first of all, the need for the evaluation of an appropriate marginal discount rate, which was differentiated by type of hire (property leases, long-term hire and hiring of business equipment), as well as by average term and allocation of costs relating to these contracts (head office functions and/or each line of business). For more details on the rates used by Group companies, reference should be made to note 3 above.

Syndicated loans

This item refers to financing provided by the consortium members, which are minorities in the consortium companies included within the scope of consolidation, since they are owned or held in joint venture at 50%. In certain cases, these loans are non-interest-bearing loans and are repayable on request. In other cases, they have a contractually defined maturity and, in others still, they do not have a contractually defined maturity but will essentially be repayable at the end of the long-term service contract, on the basis of which the consortium company was established. At 31 December 2019 the overall balance of these loans amounted to € 893 thousand, recording a decrease compared to 31 December 2018, when they amounted to € 1,217 thousand, to be charged to the amount of loan entered into with the minority quotaholder by Elene Project S.r.l., which was deconsolidated following the sale of almost the entire quota held by Rekeep S.p.A. to MFM Capital S.r.l., which took place on 12 December 2019.

Due to factoring agencies

This item includes receipts from customers on receivables assigned within the factoring of trade receivables without recourse . The amounts collected, equal to € 7,558 thousand at 31 December 2019, were transferred to the factor in the subsequent month after the end of the financial year. An amount of € 4,033 thousand pertain to the Naprzód sub-group.

Obligations from assignments of receivables with recourse

The Parent Company Rekeep S.p.A. entered into an agreement for the assignment with recourse of trade receivables with Unicredit Factoring S.p.A., concerning receivables from Public Authorities, in 2015. During 2019 assignments with recourse were made with regard to trade receivables at a nominal value of receivables of € 75,484 thousand. At 31 December 2019 the Group showed obligations arising from assignments with recourse of receivables equal to € 28,174 thousand, of which an amount of € 23,747 thousand relating to the relationship with Unicredit Factoring S.p.A. (€ 18,379 thousand at 31 December 2018).

Options on subsidiaries' minority shareholdings

The options on subsidiaries' minority shareholdings were recognized for an amount of € 231 thousand at 31 December 2019 in relation to the estimated liability linked to the Put option held by the minorities of Rekeep France S.a.s. (formerly Manutencoop France S.a.r.l.), whose shareholding of 30% was transferred to third parties on 15 January 2018 under an Investment Agreement signed in 2017. This option may be exercised between 30 June 2021 and 30 June 2023.

As at the reporting date the Group also held put options for an additional amount of € 1,315 thousand reclassified to "Liabilities directly associated with non-current assets held for sale" since it pertained to Gruppo Sicura. More specifically, this was the fair value of the put option held by the minority quotaholder of Emmetek S.r.l. and granted under the agreements signed at the time

of the acquisition of the company on the part of Sicura S.p.A. on 3 July 2019. The option may be exercised between 1 January 2022 and 31 December 2022, subject to the prior approval of the acquiree's financial statements at 31 December 2021.

Debt for the acquisition of investments/business units

This item amounted to € 9,929 thousand at 31 December 2019 and increased for a total amount of € 9,713 thousand compared to 31 December 2018 (€ 756 thousand).

The change must be attributed to the recognition of the amount of deferred price relating to the acquisition of Naprzód S.A., which was recognized by subsidiary Rekeep World S.r.l., equal to € 7,162 thousand, which will be paid in 2020 and which will accrue interest until the date of payment. Furthermore, Naprzód S.A. recognized payables for the acquisition of minority interests of other companies in the Polish sub-group, equal to € 2,701 thousand. The period also saw the full payment of the deferred consideration that Sicura S.p.A. paid the third-party shareholder for the purchase of the residual minority interest in subsidiary Evimed S.r.l. (initially equal to € 690 thousand).

A portion of the payable for the acquisition of investments outstanding at 31 December 2019 was reclassified to "Liabilities directly associated with non-current assets held for sale" and related to the recognition by Sicura S.p.A. of the deferred consideration for the acquisition of Emmetek S.r.l., for a remaining amount totaling € 1,676 thousand (of which an amount of € 838 thousand in the medium/long-term).

Debt for dividends

On 17 December 2019 the parent company Rekeep S.p.A. passed a resolution to distribute a dividend of € 13,000 thousand to the Sole Shareholder Manutencoop Società Cooperativa, by using available revenue reserves, which was paid on 31 January 2020.

Other financial liabilities

As at 31 December 2019 other financial liabilities were recorded for € 1,970 thousand (against € 7 thousand at 31 December 2018), which were almost entirely attributable to loans to non-banking counterparties that were taken out by companies in the Naprzód sub-group, which were already outstanding as at the closing date.

20. CONTINGENT LIABILITIES

As at the date of approval of the Consolidated Financial Statements at 31 December 2019 contingent liabilities had arisen for the Rekeep Group which had not been recognized in the accounts, for which the Management believes that the related financial risks can be regarded as possible but unlikely.

Antitrust Authority's order for sanctions on FM4Tender

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

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

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

The Company filed an appeal against the Regional Administrative Court's order with the Council of State on 1 August 2019, while on 12 September 2019 the Council of State rejected the appeal, confirming the Regional Administrative Court's order of 17 July. On 17 September 2019 the Company informed the market that it had not provided any deposit in favour of the Competition Authority; on 29 October the latter formally asked the Company to provide the deposit within 15 days, in the enforcement of the Regional Administrative Court's order of September, while informing that, if the Company failed to do so, the sums due would have been entered in the taxpayers' list. The Company did not provide any deposit within the expiry of said time limits, while also believing that the payment of the sums entered in the taxpayers' list could take place within the time limits and according to the methods prescribed by law, also pursuant to Article 19 of Presidential Decree 602/1973 and Ministerial Decree of 6 November 2013, as supplemented by the Directives issued by the Revenue Agency – Collection.

The entry of the sums in the taxpayers' list requested by the Competition Authority was made enforceable by the Revenue Agency following the issue of a notice of payment on 18 December 2019 for an amount equal to € 94,611 thousand, including collection charges of € 2.8 million. On 23 December 2019 the Company submitted a request for payment of these sums in instalments, which was formally granted on 10 January 2020. This order provides for the payment of 72 monthly instalments, at an interest rate of 4.5% as from 24 January 2020. The Company has started to pay these instalments on a regular basis, waiting for the developments of the legal action expected in the trial proceedings.

Furthermore, on 28 June 2019 Consip S.p.A. formally served on Rekeep S.p.A. the order providing for its exclusion from the FM4 Tender due to the breach of Article 38, paragraph 1.f, of Legislative Decree 163/2006, as well as of Article 68 of Royal Decree 827/1924 and of Article 38, paragraph 2, of Legislative Decree 163/2006, while also notifying the enforcement of the provisional guarantees provided by Rekeep S.p.A. in tendering (equal to € 3.9 million). With regard to this exclusion, ANAC (*Autorità Nazionale Anti Corruzione*, National Anti-Corruption Authority) initiated a procedure under Article 38 paragraph 1-*ter* of Legislative Decree no. 163/2006. On 3 July 2019 Rekeep S.p.A. filed an appeal with the Lazio Regional Administrative Court in order to seek the annulment of the acts of Consip S.p.A.; on 10 July 2019 the administrative court ordered for them to be suspended pending its own ruling on the appeal against the Competition Authority's order, while also setting the hearing in chambers for the decision on the preliminary request for 11 September 2019. On that occasion, the Lazio Regional Administrative Court partially granted the request, while providing for the suspension of the enforcement of the sureties and setting the hearing to discuss the merits for 15 July 2020. Rekeep S.p.A. appealed against the precautionary measure before the Council of State in that it had not granted the request for suspension of the exclusion from the Consip FM4 tender, but the Council of State rejected the appeal on 28 November 2019. On 4 November 2019 the Company submitted an appeal to the Lazio Regional Administrative Court against the proceedings initiated by ANAC, which, at present, have been removed from the docket in consideration of the fact that on 24 January 2020 ANAC ordered to suspend the proceedings while waiting for the settlement of the disputes brought in first instance before the Regional Administrative Court for the Competition Authority's Consip FM4 orders and for the exclusion from the Consip FM4 tender.

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

In relation to the FM4 affair, the Directors are confident that the defence arguments are well founded and believe that there is significant uncertainty in the pending litigation; furthermore, as things stand in the analyses in progress with party-appointed lawyers, they believe that there are no probability requirements, in addition to those that could be determined reliably, requested by international accounting standards for the allocation of a provision for risk.

However, on 31 December 2019, even while pending the judgment on the merits, the hearing of which is scheduled for 6 May 2020, the Company took steps to recognize the liability arising from the notice of payment issued by the Revenue Agency – Collection among "Other current liabilities" in the Statement of Financial Position for the corresponding amount (€ 94,611 thousand). This liability will be paid off through the payment of the 72 instalments set out in the instalment payment plan concerning the notice itself, according to the methods set out and until the Company's appeal is possibly granted within the pending proceedings. Furthermore, the deposit was stated among the balance sheet assets, since it constitutes a receivable against sums that are potentially subject to return following the settlement of the existing dispute (however, the time required for the judgment to become final cannot be estimated at present) and that cannot however be claimed automatically, even following the repayment of the entire debt. For this reason, this receivable was recognized among "Other non-current assets".

Furthermore, the Company continues to hold that it considers the Competition Authority's order unjustified and disproportionate and will continue to take any necessary action against it to protect its rights and interests. The recognition of this payable is in

fact a direct consequence of a decision made by the Regional Administrative Court, which did not grant the suspension of the payment until the discussion of the merits and this decision in no way anticipates the Regional Administrative Court's future rulings on the subject matter of the appeal (the fine) but only a method of collection assessed by the Court itself which is consistent with the need to protect the financial interests of the Competition Authority, instead of those of the plaintiff companies.

Counting fully on the arguments discussed with its lawyers and subject to the prior verification of the consolidated financial planning, as well as whether the conditions actually exist in order to be able to meet said non-recurring cash requirements, the Directors did not find uncertainties for the purposes of assessing the going concern basis.

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

On 19 March 2013 a violent fire broke out in the former Olivetti area in Scarmagno (Turin), which was the property of Prelios SGR and at which Manutencoop Facility Management S.p.A. (now Rekeep S.p.A.) performed maintenance work under contract, also through the use of subcontractors. The overall claim for damages submitted by the insurance companies for damaged parties was equal to over € 50 million, including claims for damages submitted by the owners of the properties concerned. In 2018 a settlement agreement was reached between Rekeep S.p.A. and Generali Assicurazioni, under which Rekeep S.p.A. (using funds provided to it by UnipolSai Assicurazioni S.p.A.) paid an overall amount of € 3,366 thousand, equal to 10% of the total sum paid by the insurance company to its insured parties, on account of full payment, write-off and settlement. The agreement also provides that, as regards the position of Prelios SGR, since it is not a party to the agreement and since its liability is covered by an insurance policy taken out with Generali, Rekeep S.p.A. undertakes to hold harmless Generali Assicurazioni, until Prelios SGR's claim against Generali Assicurazioni becomes statute barred and up to an amount equal to the limit of Liability equal to € 2,600 thousand, from and against any expenditure which Generali should be required to sustain by virtue of a provisionally enforceable judgment. Finally, on 20 June 2019 Rekeep S.p.A. and UnipolSai entered into an agreement for the final settlement of the claim, following which on 2 July 2019 the insurance company paid the insured an amount of € 1,436 thousand (equal to the remaining limit of liability set out in the policy). Rekeep S.p.A., on the other hand, has undertaken to provide reports on the use of these amounts while UnipolSai has waived the right to take any recourse action, under Article 1916 of the Italian Civil Code, against persons or entities subject to civil liability (if any) for the fire, including Prelios SGR. The residual balance of these funds was equal to € 1,361 thousand at 31 December 2019.

In relation to the accident, which also involved, as potential indirectly liable persons, three former employees of Rekeep S.p.A. itself, the proceedings before the Court of Milan have been discontinued by the parties.

Enquiry of the Public Prosecutor's office of Naples relating to the tender for the awarding of cleaning services at A.O.R.N. Santobono Pausilipon

On 10 November 2017 ANAC, after the completion of proceedings initiated in November 2016 following a report made by A.O.R.N. Santobono Pausilipon in Naples, imposed a sanction ("ANAC's Order") on Rekeep S.p.A. (Manutencoop Facility Management S.p.A. at that time), raising objections concerning the failure to provide a declaration relating to the absence of criminal proceedings against one of the Company's proxy holder in the documentation submitted for the same tender in 2013. On the other hand, this proxy holder met the legal requirements in full. In addition to a fine of € 10 thousand, the ANAC's Order provided

for the Company to be excluded from all public tenders for a period of 6 months as from the date of entry in the computerised records of economic operators in public contracts. The Company, which considers that the order is unfounded and based on erroneous legal grounds, in addition to being disproportionate with respect to the alleged infringement, filed an appeal with the Lazio Regional Administrative Court, while asking the President of the competent division to order the immediate suspension of the measure before any discussion on the merits of the case ("request for precautionary measure from a single-member court"). On 15 November 2017 this request was granted and all the effects of the ANAC's Order were suspended. On 21 December 2017 the Lazio Regional Administrative Court granted the appeal, as regards the merits, submitted by the Company and annulled the ANAC's Order. Subsequently, the latter challenged the administrative court's ruling before the Council of State, while submitting a request for precautionary measures for the suspension of the effects of the trial judgment. At the hearing held on 8 March 2018 the Council of State rejected this request, ordering ANAC to pay expenses, waiting for the hearing on the merits to be set.

By a judgment published on 27 December 2018, the Council of State granted the appeal filed by ANAC against the Lazio Regional Administrative Court's ruling of 21 December 2017, which had annulled the ANAC's Order.

The Company, also on the basis of what has been agreed with its lawyers and maintaining the position it has always taken on the matter, believes that this judgment, as well as the ANAC's order, are based on erroneous and non-existent factual and legal assumptions and that the said order is not proportional to the alleged infringement. The Council of State's ruling was therefore challenged by the Company on 9 January 2019 before the Supreme Court in order to obtain its full annulment due to excessive jurisdictional powers, since the Council of State applied a non-existent rule (thus actually creating a new one), given that Article 38, paragraph 1-*ter* of Legislative Decree no. 163/2006, to which reference is made, regulates only the case of "submission of false declarations or false documentation in tender procedures", while disregarding the different case of failure to submit the required declarations in tender procedures. It should also be noted that according to the subsequent and current regulations on tendering, the failure to submit similar administrative documentation would not even constitute a possible infringement but would be remedied merely through the "preliminary relief", or merely through a request by the Public Administration for additions to the incomplete documentation.

On 9 January 2019, a request for precautionary measure from a single-member court was submitted to the Council of State for it to suspend the judgment of 27 December 2018 pursuant to Article 111 of the Italian Code of Administrative Procedure. The President of the competent division accepted the request made by the Company by a specific Decree, whereby it suspended the effects of the judgment and of the ANAC's Order until the hearing of the Council of State that was held on 24 January 2019, in which it confirmed the decision made by the President until the ruling of the Supreme Court that set the public hearing for discussing the appeal on 10 March 2020. The hearing has been postponed to a date to be scheduled due to the Covid-19 emergency.

The judgment was also challenged by the Company before the Council of State on 6 February 2019 by means of an appeal for revocation, complaining about a "factual error entailing the revocation" and claiming that: (i) the Company did not submit any false declaration, but merely failed to submit a declaration (Article 38, paragraph 1.c) on the part of one of its proxies who, moreover, met the legal requirements in full, as she had no criminal record; (ii) the Company was never accused of failing to

meet the requirement. The hearing on the merits is scheduled for 2 April 2020 but it is reasonable to believe that it will be postponed due to the Covid-19 emergency.

Finally, the Company is considering with its lawyers to bring further defence actions before the competent European jurisdictional Authorities (the European Court of Human Rights and the European Court of Justice).

It should be noted that the measure for exclusion would have no effect on Rekeep S.p.A.'s ability to participate in tenders launched by private parties, nor on the performance of the contracts in its portfolio.

Italian Finance Police's Report of Findings served on Rekeep S.p.A.

On 10 April 2019 the Italian Tax Police (*Guardia di Finanza*) - Bologna Economic and Financial Police Unit – started a tax audit involving Rekeep S.p.A.. The audit was completed on 25 July 2019 with the service of the report of findings (*Processo Verbale di Constatazione*, PVC), which reported some remarks regarding VAT on some specific supply contracts, as well as remarks regarding VAT, IRES and IRAP tax for the 2017 financial year, for a higher tax due totalling € 1.7 million. The Company is considering, together with its consultants, the arguments and the materiality of the findings reported by the inspectors. At the date of approval of the Financial Statements, the management was assessing the risk of losing the case and, after having heard its consultants, now believes that this risk is possible.

21. TRADE PAYABLES, CONTRACT LIABILITIES AND OTHER CURRENT PAYABLES

The table below sets forth the breakdown of the item at 31 December 2019 and 31 December 2018:

	31 December 2019	of which to related parties	31 December 2018	of which to related parties
Trade payables	372,557		360,959	
Trade payables to third parties	**372,557**	**0**	**360,959**	**0**
Trade payables to Manutencoop Società Cooperativa	8,924	8,924	9,026	9,026
Trade payables to Group companies within 12 months	13,079	13,079	11,603	11,603
Trade payables to Manutencoop Group	**22,003**	**22,003**	**20,629**	**20,629**
Advances from customers including contract liabilities	21,309	1	18,014	98
IFRS5 Reclassification	(9,919)	(36)	0	
Trade payables and contract liabilities	**405,950**	**22,004**	**399,602**	**20,727**
Fees due to directors and statutory auditors	293		306	

	31 December 2019	of which to related parties	31 December 2018	of which to related parties
Tax payables	8,643		9,925	
Payables to social security institutions within 12 months	15,059		9,895	
Other payables to TJA	12,382		10,019	
Payables to employees within 12 months	53,850		47,820	
Other payables within 12 months	102,126		9,054	
Property collection on behalf of customers	2,176		2,176	
Other current operating payables to third parties	**194,529**	**0**	**89,195**	**0**
Other current payables to Manutencoop Società Cooperativa	68	68	28	28
Other payables to Group companies	2	2	2	2
Other current operating payables to Manutencoop Group	**70**	**70**	**30**	**30**
Accrued expenses	251		9	
Deferred income	1,104		1,126	
Accrued expenses and deferred income	**1,355**	**0**	**1,135**	**0**
IFRS5 Reclassification	(3,489)	0	0	0
Other current operating payables	**192,465**	**70**	**90,360**	**30**

Trade payables do not accrue interest and are settled, on average, 90/120 days from the invoice date. The other payables are non-interest bearing payables and are settled, on average, after 30 days, excluding payables due to employees for accrued 13th and 14th monthly pay and holidays paid at 6 months on average, and the amounts due to the Tax Authorities on account of VAT.

Trade payables and contract liabilities amounted to € 405,950 thousand at 31 December 2019, against a balance of €399,602 thousand at 31 December 2018; therefore, an increase of € 6,348 thousand was recorded despite the reclassification of the value of the Sicura Group's trade payables, equal to € 9,919 thousand at 31 December 2019, to "Liabilities directly associated with Assets held for sale"

Other current liabilities showed a balance of € 192,465 thousand at 31 December 2019 (€ 90,360 thousand at 31 December 2018) and are mainly made up of the following items (stated before IFRS5 reclassification):

- payables to employees of € 53,850 thousand (€ 47,820 thousand at 31 December 2018) including the current monthly salaries to be paid in the months after the end of the period, as well as payables for additional monthly salaries to be paid (a portion of the 14th salary, to be paid in the month of July, and the 13th salary, to be paid each year in the month

of December). Furthermore, the corresponding payables to social security institutions were recognized for € 15,059 thousand (€ 9,895 thousand at 31 December 2018);

- payables to tax authorities for € 8,643 thousand, mainly relating to the balance of payables for VAT payments on the part of some Group companies and of the IRPEF tax payable for employees (€ 9,925 thousand at 31 December 2018);
- receipts on behalf of Temporary Associations of Companies (ATI) for € 12,382 thousand, which relate to the amounts collected by the Group, on behalf of third parties, mostly relating to job orders under "CONSIP" agreements (€ 10,019 thousand at 31 December 2018).

"Other payables within 12 months", equal to € 102,126 thousand at 31 December 2019, include the payable relating to the deposit for the fine imposed by the Competition Authority in relation to the Consip FM4 Tender, (see note 20 "Contingent liabilities"). Even while pending the judgment on the merits, the hearing of which is set for 6 May 2020, the Company took steps to recognize the liability arising from the notice of payment issued by the Revenue Agency – Collection among "Other current liabilities" in the Statement of Financial Position for the corresponding amount (€ 94,611 thousand). This liability will be paid off through the payment of the 72 instalments set in the instalment payment plan of the notice itself, according to the methods set out and until the Company's appeal is possibly granted within the pending proceedings. Furthermore, the deposit was stated among non-current balance sheet assets, since it constitutes a receivable against sums that are potentially subject to return following the settlement of the existing dispute (however, the time required for the judgment to become final cannot be estimated at present) and that cannot however be claimed automatically, even following the repayment of the entire debt.

Furthermore, the payable related to the Competition Authority fine for the Consip Scuole Tender, recognized in the item under consideration following the dismissal by the Lazio Regional Administrative Court of the request for suspension of the payment submitted by Rekeep S.p.A. and subsequently payable in instalments, was paid in full on 31 December 2019 (€ 4,417 thousand at 31 December 2018).

Finally, the item "IFRS5 reclassification" includes the reclassification of the value of other current operating payables relating to the sub-group controlled by Sicura S.p.A. at 31 December 2019 to "Liabilities directly associated with Assets held for sale".

22. REVENUE FROM CONTRACTS WITH CUSTOMERS

The table below sets forth the breakdown of the item for the years ended 31 December 2019 and 31 December 2018:

	For the year ended	
	31 December 2019	31 December 2018
Revenues from product sales	23,912	17,440
Service revenues	844,246	810,988
Revenues from construction activities and plant installation	98,000	79,465

	For the year ended	
	31 December 2019	31 December 2018
Other sales revenues	37,571	35,847
REVENUE FROM CONTRACT WITH CUSTOMERS	**1,003,729**	**943,740**

At 31 December 2019 *Revenue from contracts with customers* amounted to € 1,003,729 thousand (€ 943,740 thousand at 31 December 2018).

The item showed an increase of € 59,989 thousand, which was particularly contributed to by the Healthcare sector, also thanks to the contribution of revenues of € 19,814 thousand achieved by the Naprzód sub-group following the acquisition on 30 October 2019.

23. OTHER REVENUES

The table below sets forth the breakdown of the item for the years ended 31 December 2019 and 31 December 2018:

	For the year ended	
	31 December 2019	31 December 2018
Grants	553	605
Asset capital gains	69	161
Recovery of costs - seconded personnel	153	204
Compensation for damages	1,088	4,469
Revenues for leases and rentals	22	16
Other revenues	1,468	687
OTHER REVENUES	**3,353**	**6,142**

At 31 December 2018 the balance of *Other revenues* amounted to € 3,353 thousand compared to € 6,142 thousand in 2018, showing a decrease of € 2,789 thousand.

This change was affected in 2018 by the recognition of a non-recurring item in the item of “Compensation for damage”, under which proceeds had been accounted for as third-party compensation for damage for € 4,274 thousand on account of compensation for the damage suffered by the Parent Company Rekeep S.p.A. within a tender launched by Consip S.p.A. during 2010.

Operating grants, equal to € 553 thousand, mainly related to grants on training projects for subordinate staff. Finally, "Other revenues" include other residual revenues attributable to the last two months of the financial year of the Naprzód sub-group for € 953 thousand.

24. COSTS OF RAW MATERIALS AND CONSUMABLES

The breakdown of the item is shown below for the years ended 31 December 2019 and 31 December 2018:

	For the year ended	
	31 December 2019	**31 December 2018**
Fuel consumption	52,874	52,535
Consumption of raw materials	89,192	67,803
Purchase of semi-finished/finished products	1,291	1,711
Purchase of auxiliary materials and consumables	14,343	13,358
Packaging	1,978	1,875
Change in inventories of fuel and raw materials	(340)	(285)
Other purchases	3,543	3,147
CONSUMPTION OF RAW MATERIALS AND CONSUMABLES	**162,881**	**140,144**

At 31 December 2019 the item amounted to € 162,881 thousand compared to € 140,144 thousand at 31 December 2018. The increase, equal to € 22,737 thousand, was mainly due to the higher consumption of raw and auxiliary materials as a result of the integrated service contracts that were mostly developed during the current financial year and to the contribution of costs € 5,150 thousand incurred by the Naprzód sub-group in the two last months following the acquisition.

25. COSTS FOR SERVICES AND USE OF THIRD PARTY ASSETS

The breakdown of the item is shown below for the years ended 31 December 2019 and 31 December 2018:

	For the year ended	
	31 December 2019	**31 December 2018**
Third-party services	216,172	219,686
Consortia services	6,988	6,062
Equipment maintenance and repair	8,610	7,926
Professional services	38,924	38,976
Statutory Auditors' fees	357	321
Transport	8,837	7,846
Advertising and promotion	468	992
Bonuses and commissions	1,632	2,079
Insurance and sureties	6,192	5,421
Bank services	314	318
Utilities	7,253	6,828
Travel expenses and reimbursement of expenses	4,895	4,421
Employee services	6,997	6,866
Other services and contingent items	1,447	(491)
Costs for services	**309,086**	**307,251**
Rent expense and Hires	4,063	13,061
Hiring of equipment and others	5,432	4,946
Costs for leased assets	**9,495**	**18,007**
COSTS FOR SERVICES AND USE OF THIRD PARTY ASSETS	**318,581**	**325,258**
Effects of adoption of IFRS16	**0**	**(9,717)**
COSTS FOR SERVICES AND USE OF THIRD PARTY ASSETS	**318,581**	**315,541**

According to the previously applicable accounting rules, the "operating" lease cost for the period was accounted for in the Statement of Profit/Loss for the period, as "Cost for use of third-party assets", according to the matching principle and based on its accrual for the time being; the impact on the business cash flows was accounted for as "Cash flow from current operations" in the Statement of Cash Flows. Furthermore, the accounting standard IAS 17 provided for the financial method to be adopted for "finance" leases only, thus recognising the asset among balance sheet assets (and recognising accordingly any related amortization and depreciation) and the liability arising from future lease payments among balance sheet liabilities. Moreover, the related financial costs for the year were accounted for during the period of financial amortization of this liability. The new accounting standard IFRS16 provides for the recognition of the liability arising from agreements that were previously classified as operating leases in applying IAS 17 and, therefore, no "costs for use of third-party assets" were recognized during 2019 for all

the cases identified in accordance with the new standard (in particular property leases and log-term hire for the corporate fleet). The accounting method used for transition is the "Modified retrospective approach", which does not provide for the restatement of accounting data for the previous year. However, it should be noted that effect on these costs would be a positive adjustment of € 9,717 thousand for the 2018 financial year.

For the year ended 31 December 2019 *Costs for services and use of third party assets* totalled € 318,581 thousand, marking an increase of € 3,040 thousand compared to the balance of the item on a like-for-like basis, to be attributed to an increase in costs for additional and residual services. Instead, there was a confirmation of a trend of reduction in costs for third-party services: as early as from the previous years the Group started in fact a major process of internationalisation in performing some activities, which entailed a change in the mix of production factors in favour of the labour cost and the same business internationalisation policy can be found in the newly-acquired Polish Naprzód sub-group, as described in note 22 below.

During 2019 the Parent Company Rekeep S.p.A. also started R&D projects in order to improve their business and delivery of services. The projects were developed and coordinated by internal resources based on their specific skills and duties, with the involvement of specific consultants for the various areas of business and were all completed in 2019. These research projects meet the requirements laid down in Law no. 190 of 23 December 2014 (Article 1, paragraph 35), as partly amended by Law no. 232 of 11 December 2016 (Article 1, paragraphs 15 and 16), as well as in the Implementing Provisions under a Decree issued by the Ministry of Economy and Finance in agreement with the Ministry of Economic Development on 27 May 2015 and fall within the scope of the parameters set out in the Communication from the Commission (2014/C 198/01) of 27 June 2014, which was published in the Official Journal C/198 of 27 June 2014. These regulations provide for a tax credit for investments made from 1 January 2015 to 31 December 2020 in relation to the expenses incurred in excess of the average of the same investments made in the three tax periods for the financial years 2012, 2013 and 2014, to an extent of 50% of the total incremental expense. Tax credits accrued during the year allowed the recognition of proceeds of € 48 thousand among "Other costs for services".

26. PERSONNEL COSTS

The breakdown of the item is shown below for the years ended 31 December 2019 and 31 December 2018:

	For the year ended	
	31 December 2019	**31 December 2018**
Wages and salaries	280,725	258,204
Social security charges	85,662	81,471
Secondment costs	30,900	32,645
ESI paid to INPS (National Social Security Institute) and to funds	16,406	14,635

	For the year ended	
	31 December 2019	**31 December 2018**
Directors' fees	2,238	1,655
Other personnel costs	767	1,170
Current benefits	**416,698**	**389,780**
Employee termination indemnity provision	1,086	1,073
Subsequent benefits	**1,086**	**1,073**
Employment termination benefits	1,306	1,695
Employment termination benefits	**1,306**	**1,695**
PERSONNEL COSTS	**419,090**	**392,548**

At 31 December 2019, Personnel Costs, equal to € 419,090 thousand, showed an increase of € 26,542 thousand compared to the previous year (when they amounted to € 392,548 thousand).

The total change in Group personnel costs is necessarily correlated to the cost of services, as the mix of production costs linked to "internal" work (i.e. work performed by employees of Group companies) and "external" work (i.e. work performed by third-party providers) can change significantly according to organisational changes aimed at increasing overall productivity.

The ratio between *Revenues from sales and services* and the total amount of costs for internal personnel ("*make*") and services costs ("*buy*") relating to third-party services, services provided by consortia and professional services, came to 147% at 31 December 2019 against 144% at 31 December 2018. The "make-or-buy ratio" shows that the Group is continuing to implement an organisational preference for producing by greater recourse to internal production factors than to purchasing services from external sources.

The cost of personnel related to the work rendered in Italy is Euro 400,446 thousand (Euro 388,264 thousand at 31 December 2018). Furthermore the item includes the costs linked to the incentive system established in 2018 reserved for the top and middle management of the major Group companies for € 2,980 thousand (€ 2,954 thousand at 31 December 2018).

27. OTHER OPERATING COSTS

The breakdown of the item is shown below for the years ended 31 December 2019 and 31 December 2018:

	For the year ended	
	31 December 2019	31 December 2018
Capital losses on disposals of assets	211	25
Other taxes	1,675	1,648
Fines and penalties	1,210	1,752
Credit Discount on assignments of receivables	72	36
Other operating costs and contingent items	5,786	3,199
OTHER OPERATING COSTS	**8,954**	**6,660**

Other operating costs amounted to € 8,954 thousand, showing an increase of € 2,294 thousand compared to the previous year (€ 6,660 thousand at 31 December 2018).

In 2019 there was the recognition of non-recurring costs relating to the management of business relationships with the members of the Temporary Business Grouping which have claimed amounts on account of reimbursement for disputes of previous years for € 574 thousand and higher costs linked to the purchase and sale of energy certificates for € 625 thousand, sustained on behalf of a customer and invoiced back to the latter.

Residual operating costs of € 1,765 thousand incurred by the Naprzód Group in the two last months of the year also contributed to the increase in the item.

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

The breakdown of the item is shown below for the years ended 31 December 2019 and 31 December 2018:

	For the year ended	
	31 December 2019	31 December 2018
Amortization of intangible assets	7,854	7,539
Depreciation of property, plant and equipment	19,537	20,261
Amortization of Rights of use	8,526	0
Write-downs of receivable, net of releases	1,866	2,982
Other write-downs	6	340
AMORTIZATION/DEPRECIATION, WRITE-DOWNS AND WRITE-BACKS OF ASSETS	**37,789**	**31,122**
Effects of adoption of IFRS16	0	7,958

	For the year ended	
	31 December 2019	31 December 2018
AMORTIZATION/DEPRECIATION, WRITE-DOWNS AND WRITE-BACKS OF ASSETS	**37,789**	**39,080**

As regards *Costs for services and use of third-party assets*" the adoption of the modified retrospective approach in the transition to the new IFRS16 requires the non-restatement of the book values of the previous year. For information purposes only, it should be noted that the accounting adjustment relating to the amortization of the Rights of Use would have been equal to € 7,985 thousand in 2018.

At 31 December 2019 *Amortization/depreciation, write-downs and write-backs of assets* amounted to € 37,789 thousand, showing a reduction of € 1,291 thousand compared to the balance of item adjusted by the effect of the adoption of IFRS16. Specifically note the following:

- an increase in amortization/depreciation for a total of € 159 thousand, mainly attributable to property, plant and equipment and rights of use; specifically, higher amortization and depreciation recorded as a result of an increase in the investments made were offset, during the financial year under consideration, by the effect of the restatement of the useful life of some categories of operating assets for linen rental and industrial laundering used by subsidiary Servizi Ospedalieri;
- a decrease in the write-downs of receivables made for € 1,116 thousand during the year;
- an increase in other write-downs, mainly concerning non-trade receivables for € 334 thousand.

29. DIVIDENDS, INCOME AND LOSSES FROM INVESTMENTS

The breakdown of the item is shown below for the years ended 31 December 2019 and 31 December 2018:

	For the year ended	
	31 December 2019	31 December 2018
Dividends	234	628
Capital gains (capital losses) from sale of equity investments	106	(1,471)
DIVIDENDS, INCOME AND LOSSES FROM INVESTMENTS	**340**	**(843)**

In 2019, dividends were collected from other companies not included under the scope of consolidation. They amounted to € 234 thousand, € 138 thousand of which from investee companies of the Parent Company Rekeep S.p.A., € 96 thousand from investee companies of Servizi Ospedalieri S.p.A..

Capital gains (capital losses) from sale of equity investments included, in 2019, the difference between the book value of equity investments stated in the consolidated Financial Statements and the consideration obtained from the transfer of the interest previously held by Rekeep S.p.A. in Elene Project S.r.l. to third parties. The transfer to MFM Capital S.r.l., which took place on 12 December 2019, generated a net capital loss in the Consolidated Financial Statements against a net capital gain reported in the statutory Financial Statements of Rekeep S.p.A., since the consolidated value was different from the carrying amount at which they had been stated in the statutory Financial Statements (stated at historical acquisition cost).

Furthermore, the item includes an income of € 579 thousand, in relation to the collection of the earn-out on the disposal of Synchron Nuovo San Gerardo di Monza S.p.A. to 3i EOPF, which took place in December 2018, linked to uncertain and unforeseeable future events that occurred during 2019 (not recognized in the 21018 financial year for this reason).

In the previous year, the same item included the net capital loss recorded in the Consolidate Financial Statements following the disposal to third parties of investments in subsidiaries, associates and other investments previously held by Rekeep S.p.A. (against a net capital gain recorded in the statutory Financial Statements of Rekeep S.p.A.).

30. FINANCIAL INCOME

The breakdown of the item is shown below for the years ended 31 December 2019 and 31 December 2018:

	For the year ended	
	31 December 2019	**31 December 2018**
Interest on bank current accounts	121	80
Interest on non-proprietary and intercompany current accounts	36	319
Interest on trade receivables	1,902	923
Interest from discounting of non-interest bearing loans	4	63
Interest and other income from securities	15	0
Capital gains on sale of securities	1,598	0
Other financial income	120	212
FINANCIAL INCOME	**3,796**	**1,597**

Financial income recorded an increase compared to the previous year, equal to € 2,199 thousand.

The main change in the item related to the recognition of the capital gain achieved by the Parent Company Rekeep S.p.A. t the time of the repurchase of some portions of its bond issue for a nominal value of € 10,300 thousand, which took place in the first quarter of the year.

In addition, significant default interest from a customer in the public sector were recognized by the Parent Company Rekeep S.p.A., following an in-court settlement ruling (€ 820 thousand).

31. FINANCIAL COSTS

The breakdown of the item is shown below for the years ended 31 December 2019 and 31 December 2018:

	For the year ended	
	31 December 2019	**31 December 2018**
Charges on other loans	32,275	17,083
Financial costs for finance leases	134	138
Financial costs for operating leases	1,704	0
Financial costs on intercompany loans	164	8,890
Interest discount on assignments of receivables without recourse	3,925	3,021
Interest on trade payables	496	622
Other financial costs	6,342	3,790
FINANCIAL COSTS	**45,040**	**33,544**
Effects of adoption of IFRS16	**0**	2,294
FINANCIAL COSTS	**45,040**	**35,838**

As reported above, the adoption of the "modified retrospective approach" in the transition to the new IFRS 16 does not necessarily require the restatement of the book values of the previous year. However, for the sake of clarity, it should be noted that the accounting adjustment relating to financial charges on the financial liability for operating leases would have been equal to € 2,294 thousand for the item "*Financial costs"* as well.

Furthermore, net of this adjustment, "*Financial costs*" showed an increase of € 9,202 thousand in 2019 compared to the previous year.

Financial charges on other loans include financial costs on the coupons of the Notes for € 31,576 thousand, which accrued in 2019, while, in the 2018 financial year, financial charges were recognized for a total amount of 16,200 thousand, which accrued

only from the date of the reverse merger of the former direct parent company CMF S.p.A., holding the Notes, into the Parent Company Rekeep S.p.A. as from 1 July 2018.

In 2018, *Financial costs on intercompany loans* included interest accrued on the Proceeds Loan that CMF S.p.A. had granted to the Parent Company until the date of merger, equal to € 7,869 thousand. It should be noted that the Proceeds Loan was fully repaid from the date of the merger

Other financial costs included financial charges for amortized cost incurred in 2019 for € 3,730 thousand, including the write-off on the Notes repurchased in February 2019 (€ 387 thousand), against € 1,604 thousand in 2018 incurred from the date of the merger of CMF S.p.A. into the Parent Company Rekeep S.p.A.. Furthermore, against the Proceeds Loan, CMF S.p.A. charged back to the Parent Company a portion of the additional issue costs for the Notes in proportion to the proceeds reserved for it on account of Proceeds Loan, accounted for at amortized cost. This entailed the recognition of additional costs (up to the date of merger) amounting to € 810 thousand in 2018.

Furthermore, *Other financial costs* finally included the costs for the Super Senior Revolving Credit Facility of € 50 million which was entered into by CMF S.p.A. as the Parent at the same time as the bond issue. These costs, which were initially equal to € 1,000 thousand, were also amortized on a straight-line basis throughout the term of the credit facility (for which no drawdown had been requested on the reporting date) and gave rise to amortization charges of € 240 thousand, equal to those accounted for in the previous year.

Finally, the Group finally recorded charges correlated to the assignments of receivables without recourse made during the year for € 3,925 thousand at 31 December 2019 (€ 3,021 thousand at 31 December 2018) and financial costs accrued on the financial liability for operating leases equal to € 1,704 thousand (they would amount to € 2,294 thousand in 2018).

32. CURRENT, PREPAID AND DEFERRED TAXES

The breakdown of the item is shown below for the years ended 31 December 2019 and 31 December 2018:

	For the year ended	
	31 December 2019	**31 December 2018**
Current IRES tax	12,517	10,849
Current IRAP tax	4,928	4,206
(Income) costs from tax consolidation	(3,356)	(7,726)
Adjustments to current taxes of previous years	25	(838)

	For the year ended	
	31 December 2019	31 December 2018
Current taxes	**14,114**	**6,491**
Prepaid/deferred IRES tax	716	1,861
Prepaid/deferred IRAP tax	63	181
Prepaid/deferred taxes relating to previous years	63	(107)
Prepaid/deferred taxes	**842**	**1,935**
CURRENT, PREPAID AND DEFERRED TAXES	**14,956**	**8,426**

In 2019 the Group recorded taxes totalling € 14,956 thousand, marking an increase of € 6,530 thousand compared to the taxes recognized at 31 December 2018.

More specifically, the main changes are as follows:

- an increase of € 1,668 thousand in the current IRES tax balance;
- an increase of € 722 thousand in the current IRAP tax balance;
- a decrease of € 4,370 thousand in the balance of income from tax consolidation;
- negative adjustments to current taxes relating to previous years for € 25 thousand;
- the recognition of a net charge of € 842 thousand, relating to the total balance of prepaid and deferred taxes, with a decrease of € 1,093 thousand compared to the previous year. The future recovery of deferred tax assets has been assessed on the basis of the same forecasts as those used by the Management for the impairment test on goodwill (see note 6).

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

At 31 December 2019 the Group recognized Current tax receivables for a total amount of € 10,090 thousand, relating to the net balance of the excess IRES tax advances paid to the Tax Office or receivables from parent company Manutencoop Società Cooperativa which arose within the scope of the national tax consolidation in force with some Group companies, and Current tax payables equal to € 1,290 thousand relating to the IRAP tax balance to be paid.

The reconciliation between current income taxes accounted for and the theoretical tax resulting from the application of the IRES tax rate in force for the years ended 31 December 2019 and 31 December 2018 to pre-tax profit is as follows:

	31 December 2019		31 December 2018	
		%		%
PRE-TAX PROFIT	**18,306**		**24,269**	
Taxes calculated at the rate applicable in Italy - IRES tax	12,209		10,849	
(Income) costs from national tax consolidation	(3,356)		(7,726)	
Taxes calculated at the rate applicable in Italy – IRAP tax	4,928		4,206	
Taxes calculated at the rate applicable abroad	308		0	
Taxes for previous years	25		(837)	
EFFECTIVE TAX / RATE	**14,114**	**77.10%**	**6,491**	**26.75%**

The applicable theoretical rate in Italy is 24% of taxable income for the year, while taxes for foreign companies are calculated based on tax rates applicable at a local level. The table includes the effects on the current IRES tax arising from the recognition of proceeds from having joined the tax consolidation scheme.

Deferred tax assets and liabilities

At 31 December 2019 the Group recorded deferred tax assets of € 16,026 thousand, net of deferred tax liabilities of € 16,393 thousand, as shown below:

	Tax effect on the balance sheet			Tax effect through P&L	Tax effect on equity
	31 December 2018	of which Business Combinations	31 December 2019	31 December 2019	31 December 2019
Deferred tax assets:					
Expected credit losses	5,890		5,534	(356)	
Provisions for risks and charges	2,921		3,221	300	
Amortization	1,095		1,008	(87)	
Interest expense	3,167		3,072	(96)	
Cash cost deduction	27		43	15	
Other consolidation adjustments	961	3	932	(117)	84

			Tax effect on the balance sheet	Tax effect through P&L	Tax effect on equity
	31 December 2018	of which Business Combinations	31 December 2019	31 December 2019	31 December 2019
Other temporary adjustments	955	560	2,901	42	831
Foreign exchange effect					472
IFRS5 Reclassification	0		(685)		
Total deferred tax assets	**15,017**	**563**	**16,026**	**(299)**	**1,387**
Deferred tax liabilities:					
Goodwill amortization	(10,610)		(11,118)	(508)	
Purchase Price Allocation	(1,672)		(1,606)	67	
Cash cost reduction	(1,927)		(1,924)	3	
Employee benefit discounting	3		32	15	14
Other consolidation adjustments	(319)	10	(407)	(120)	31
Other temporary differences		(1,069)	(1,389)		
Foreign exchange effect					(320)
IFRS5 reclassification	0		18		
Total deferred tax liabilities	**(14,525)**	**(1,059)**	**(16,393)**	**(543)**	**(275)**
NET DEFERRED TAXES	**493**	**(496)**	**(367)**	**(842)**	**1,111**

33. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing consolidated net profit in the year pertaining to the Parent Company's ordinary shareholders by the weighted average number of outstanding ordinary shares during the year. Diluted earnings per share are, in the case of the Rekeep Group, equal to basic earnings per share, since no convertible bonds or share options were issued by the Parent Company.

Income and information on the shares used for the purpose of calculating consolidated basic earnings per share are shown below:

	For the year ended	
	31 December 2019	31 December 2018
Net profit attributable to shareholders (in thousands of Euro)	3,285	15,734
Number of ordinary shares (excluding own shares) for the purpose of basic earnings per share	109,149,600	109,149,600
BASIC AND DILUTED EARNINGS PER SHARE (IN EURO)	**0.030**	**0.144**

	For the year ended	
	31 December 2019	31 December 2018
Net earnings from continuing operations (in thousands of Euro)	3,350	15,843
Net profit /(loss) from continuing operations pertaining to minority interests (in thousands of Euro)	(65)	(109)
Net profit from continuing operations pertaining to the Group (in thousands of Euro)	3,285	15,734
Number of ordinary shares for the purpose of basic earnings per share	109,149,600	109,149,600
BASIC AND DILUTED EARNINGS PER SHARE OF CONTINUING OPERATIONS (IN EURO)	**0.030**	**0.144**

No other transactions were performed regarding ordinary shares or potential ordinary shares between the balance sheet date and the date the financial statements were drafted.

Dividends

On 17 December 2019, the Parent Company approved the distribution of a dividend of € 13 million to the sole shareholder Manutencoop Società Cooperativa, which was paid on 31 January 2020.

34. OPERATING SEGMENTS

The services provided by the Rekeep Group can be divided into two primary areas of business, which coincide with the Strategic Business Units (SBU) where business is channelled. The latter is not affected by significant seasonality factors.

The SBUs identified coincide with the CGUs where the Group's activities are conducted. See note 6 for details.

Information on the operating segments for the financial year ended 31 December 2019

	Facility Management	Laundering & Sterilization	Eliminations	Total
Segment revenues	873,715	135,886	(2,519)	1,007,082
Segment costs	(829,748)	(120,366)	2,519	(947,596)
Operating income (loss) by segment	**43,966**	**15,520**	**0**	**59,486**
Share of net profit of associates	(362)	270	0	(92)
Net financial income (costs)				(41,089)
Profit (loss) before taxes				**18,306**
Income taxes				(14,956)
NET PROFIT (LOSS) FOR THE YEAR ENDED 31 DECEMBER 2019				**3,350**

	Facility Management	Laundering & Sterilization	Eliminations	Total
Assets allocated to the segment	491,170	115,998	(2,318)	604,849
Goodwill	373,969	13,809		387,778
Investments	9,622	5,711		15,333
Assets held for sale	70,500			70,500
Other assets not allocated and related taxes				229,368
SEGMENT ASSETS AT 31 DECEMBER 2019	**945,261**	**135,518**	**(2,318)**	**1,307,829**
Liabilities allocated to the segment	586,428	58,580	(2,318)	642,691
Liabilities held for sale	26,851			26,851
Other liabilities not allocated and related taxes				485,483
SEGMENT LIABILITIES AT 31 DECEMBER 2019	**613,279**	**58,580**	**(2,318)**	**1,155,025**

	Facility management	Laundering & Sterilization	Total
OTHER SEGMENT INFORMATION AT 31 DECEMBER 2018			
Investments in segment assets	20,717	19,813	**40,530**
Amortization/depreciation and write-downs of segment assets	**20,839**	**16,949**	**37,789**

Information on the operating segments for the financial year ended 31 December 2018

	Facility management	Laundering & Sterilization	Eliminations	Total
Segment revenues	824,966	127,443	(2,527)	949,882
Segment costs	(782,854)	(113,805)	2,527	(894,133)
Operating income (loss) by segment	**42,112**	**13,637**	**0**	**55,749**
Share of net profit of associates	1,122	344		1,466
Net financial income (costs)				(32,946)
Profit (loss) before taxes				**24,269**
Income taxes				(8,426)
NET PROFIT (LOSS) FOR THE YEAR ENDED 31 DECEMBER 2018				**15,843**

	Facility management	Laundering & Sterilization	Eliminations	Total
Assets allocated to the segment	436,243	112,422	(1,385)	547,280
Goodwill	393,812	13,810		407,622
Investments	18,465	5,647		24,112
Other assets not allocated and related taxes				138,500
SEGMENT ASSETS AT 31 DECEMBER 2018	**848,520**	**131,878**	**(1,385)**	**1,117,513**
Liabilities allocated to the segment	480,478	57,737	(1,385)	536,830

	Facility management	Laundering & Sterilization	Eliminations	Total
Other liabilities not allocated and related taxes				415,191
SEGMENT LIABILITIES AT 31 DECEMBER 2018	**480,478**	**57,737**	**(1,385)**	**952,020**

	Facility management	Laundering & Sterilization	Total
OTHER SEGMENT INFORMATION AT 31 DECEMBER 2018			
Investments in segment assets	13,818	18,209	**32,027**
Amortization/depreciation and write-downs of segment assets	13,336	17,785	**31,122**

35. COMMITMENTS AND GUARANTEES

The Group has commitments in place which arise from the execution of finance and operating lease agreements.

Specifically, the Group signed finance lease agreements primarily for plant and equipment used in the production processes of the *Laundering & Sterilization* SBU and for motor vehicles. Moreover, during 2017 a property lease agreement was signed by subsidiary Servizi Ospedalieri S.p.A. to acquire the factory in Lucca, while the acquisitions of EOS and Medical Device S.r.l., during 2018 and the acquisition of Emmetek and Naprzód in 2019 contributed additional leases for capital goods and for the use of a property.

In 2019, the Group furthermore reported, according to the new accounting method required by IFRS 16, which became applicable from 1 January 2019, the operating leases arising from signing property lease agreements for the Group's offices, long-term hire contracts for the corporate fleets of the Group companies and hiring contracts for equipment used in the performance of some work contracts.

The tables below report the amount of future lease payments arising from finance leases and the present value of these fees at 31 December 2019 and 31 December 2018:

	31 Decembrr 2019			
	Finance Lease		Operating Lease	
	Rental fees	Present value of rental fees	Rental fees	Present value of rental fees
Within one year	1,935	1,451	7,881	6,086
From one year to five years	3,730	3,114	26,079	21,157
After five years	1,846	1,288	17,524	15,676
TOTAL LEASE FEES	**7,512**	**5,853**	**51,484**	**42,920**
Financial costs	(1,659)		(8,564)	
PRESENT VALUE OF LEASE FEES	**5,853**	**5,853**	**42,920**	**42,920**

	31 December 2018	
	Rental fees	Present value of rental fees
Within one year	497	387
From one year to five years	1,735	1,668
After five years	2,132	1,523
TOTAL LEASE FEES	**4,364**	**3,577**
Financial costs	(786)	
PRESENT VALUE OF LEASE FEES	**3,577**	**3,577**

At 31 December 2019 the Group granted sureties to third parties for:

- guarantees against financial obligations amounting to € 21,680 thousand (€ 18,909 thousand compared to 31 December 2018), of which € 3,099 thousand issued in the interest of associates for bank overdrafts and other financial obligations (€ 3,504 thousand at 31 December 2018);
- sureties granted to third parties to ensure the correct fulfilment of contract obligations in place with customers amounting to € 306,134 thousand (31 December 2018: € 281,594 thousand), of which € 251 thousand issued in the interest of associates;
- other guarantees granted by third parties in favour of associates, joint ventures and other equity investments for € 12,545 thousand (€ 12,305 thousand at 31 December 2018);

- other guarantees granted to third parties to replace security deposits required to activate utilities or to execute lease agreements, as well as for VAT refunds from Inland Revenue Agency, for a total amount of € 25,316 thousand (31 December 2018: € 25,551 thousand).

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

CMF S.p.A., which was established by Parent Company Manutencoop Società Cooperativa in 2017, launched a Senior Secured Notes bond issue in 2017, due 2022. On 29 June 2017 CMF also signed, as the Parent Company, a Super Senior Revolving loan agreement for € 50 million, governed by English law, to which Rekeep S.p.A. became a party as Borrower.

CMF S.p.A. was merged by incorporation into Rekeep S.p.A. with statutory, accounting and tax effects from 1 July 2018, applying the provisions laid down in the Indenture signed on 13 October 2017. After the merger, the indirect subsidiary Servizi Ospedalieri S.p.A. may also access the revolving credit facility, providing a specific personal security.

The payment obligations connected to both the Bond Issue and the Super Senior Revolving (RCF) facility are backed, following the above-mentioned merger, by the following collateral provided:

- a first-degree pledge over the total shares of Rekeep S.p.A., paid by the controlling company Manutencoop Società Cooperativa;
- a pledge over the total shares of Servizi Ospedalieri S.p.A;
- an assignment, by way of security, involving receivables held by Rekeep S.p.A., arising from intercompany loans granted by it to some of its subsidiaries.

The Parent Company Rekeep S.p.A. has also provided, in favour of the subscribers of the Super Senior Revolving facility only, a special lien pursuant to Article 46 of Legislative Decree 385 of 1 September 1993 on some of the personal properties held by it.

The guarantees listed above may be called by the counterparties only in the case that one of the events of default envisaged in the abovementioned contracts occurs; up to the occurrence of the same, the assets covered by the guarantee are fully available to the Group. At 31 December 2019 no events of default had occurred.

36. TRANSACTIONS WITH RELATED PARTIES

Related party transactions were performed under normal market conditions, i.e. in line with conditions that would be applied between aware and independent parties. Market prices are applied to both commercial and financial transactions.

Non-interest bearing loans are only disbursed in the case of pro-quota financing granted by syndicated shareholders to consortium companies. These loans were, however, discounted in the financial statements of the Parent Company Rekeep S.p.A..

The Parent Company not only provides technical-production services relating to the core business, but also administrative and IT services for certain Group companies. The Parent Company also has some administrative and lease service contracts in place with its parent company Manutencoop Società Cooperativa.

The main contracts in place with other Rekeep group companies, controlled by Manutencoop Società Cooperativa, with the latter and its subsidiaries, are shown below:

- Manutencoop Cooperativa sub-leased to Rekeep S.p.A. the part of the property located in Zola Predosa, via Poli no. 4 (BO), for office use. The lease is tacitly renewable, except in the event of termination by one of the parties. Annual rent is expected to be € 1,343 thousand to be paid in monthly instalments;
- Manutencoop Società Cooperativa also leased to Sicura S.r.l. the property located in Vicenza (VI), at via Zamenhof no. 363, for use as offices/warehouse. The duration of the lease has a 6-year term and is tacitly renewable, except in the event of termination by one of the parties. Annual rent is expected to be € 372 thousand, to be paid in monthly instalments;
- Manutencoop Società Cooperativa leased to Rekeep S.p.A. the part of the property located in Mestre (VE), via Porto di Cavergnago no. 6, for office use. Annual rent is expected to be € 324 thousand, to be paid in 12 monthly instalments;
- On 6 July 2007, Rekeep S.p.A. signed a framework agreement with its parent company, Manutencoop Società Cooperativa, in order to regulate the essential contents of subsequent personnel leases from Manutencoop Società Cooperativa to Rekeep S.p.A. pursuant to Title III, Chapter I of Legislative Decree 276/2003. The contract has a five-year term, and is tacitly renewed, unless terminated by one of the parties. As a result of said agreement, which has the legal nature of a legislative contract that does not grant rights to third parties, Rekeep S.p.A. and the parent company Manutencoop Società Cooperativa set out the conditions that regulate any future contracts for the leasing of shareholding personnel of Manutencoop Società Cooperativa, and the operating rules for establishing and terminating said contracts;
- Manutencoop Società Cooperativa is committed, on the basis of contracts stipulated with the individual companies of the Rekeep Group, to preparing pay packets;
- Rekeep S.p.A. signed agreements with Manutencoop Società Cooperativa and other Group companies for the provision of tax consultancy services.

The breakdown of the balances relating to the transactions carried out by the Group's Companies with related parties is provided in Annex III attached to the Consolidated Financial Statements.

The Rekeep Group is subject to the management and coordination activities of Manutencoop Società Cooperativa.

Pursuant to art. 2497-*bis*, paragraph 4 of the Italian Civil Code, the highlights of the latest set of approved financial statements are provided below:

(in thousands of Euro)	31 December 2018	31 December 2017
BALANCE SHEET		
ASSETS		
A) Subscribed capital unpaid	69	76
B) Fixed assets	321,247	329,439
C) Current assets	22,688	28,590
D) Accrued income and prepaid expenses	1,109	1,360
TOTAL ASSETS	**345,113**	**359,465**
LIABILITIES		
A) Shareholders' equity:		
Share capital	5,713	5,950
Reserves	280,839	176,429
Profit/(Loss) for the year	(3,102)	107,639
B) Provisions for risks and charges	148	280
C) Employee Severance Indemnity	1,280	1,361
D) Payables	59,594	67,109
E) Accrued expenses and deferred income	642	697
TOTAL LIABILITIES	**345,114**	**359,465**
INCOME STATEMENT		
A) Value of production	30,658	36,149
B) Costs of production	(29,797)	(38,370)
C) Financial income and costs	(3,828)	97,369
D) Value adjustments to financial assets	(697)	(2,610)
Income taxes for the year	561	15,100
PROFIT/(LOSS) FOR THE YEAR	**3,102**	**107,639**

Remuneration of members of the Governing and Control Bodies, as well as of other executives with strategic responsibilities

Fees paid to members of governing and control bodies reported below include the total fees paid to the members of these corporate bodies in 2019, as well as those paid to executives with strategic responsibilities in the Parent Company, including for roles held in other Group companies:

	31 December 2019	31 December 2018
Board of Directors		
Short-term benefits	416	397
Post-employment benefits	0	0
TOTAL BOARD OF DIRECTORS	**416**	**397**

	31 December 2019	31 December 2018
Executives with strategic responsibilities		
Short-term benefits	3,254	3,941
Post-employment benefits	136	128
TOTAL EXECUTIVES WITH STRATEGIC RESPONSIBILITIES	**3,389**	**4,069**
Board of Statutory Auditors		
Short-term benefits	133	135
TOTAL BOARD OF STATUTORY AUDITORS	**133**	**135**

The table below reports the fees accounted for in the 2019 consolidated income statement for audit and non-audit services rendered by EY S.p.A. and by other entities in its network:

	31 December 2019	31 December 2018
Audit services	567	644
Certification services	27	130
Other services	140	529
TOTAL FEES DUE TO EY S.p.A. NETWORK COMPANIES	**734**	**1,303**

Audit services include the fees paid for the audit of annual and interim consolidated financial statements, as well as of the separate Financial Statements of the Parent Company and of some subsidiaries.

Certification services relate to the fees paid for the issue of tax compliance certificates and the engagements for performance of agreed-upon procedures.

Other services concerned advice services concerning the start-up of the Group's foreign operations.

37. MANAGEMENT OF FINANCIAL RISKS

Management of financial requirements and the relative risks (mainly interest rate and liquidity risk) is performed centrally by the Group's finance function on the basis of guidelines approved by the Parent Company's Board of Directors which are reviewed periodically. The main objective of these guidelines is to guarantee the presence of a liability structure that is balanced with the composition of the balance sheet assets, in order to maintain a high level of capital strength.

During the last quarter of the 2017 financial year the parent company Manutencoop Società Cooperativa carried out a corporate reorganisation and refinancing of the entire Manutencoop Group. The corporate reorganisation involved the transfer of the shares held by Manutencoop Società Cooperativa in the Parent Company Rekeep S.p.A. to a newly-established corporate SPV named CMF S.p.A., which is now the direct Parent Company of Rekeep S.p.A. itself. Specifically, CMF S.p.A. was established for the launch of a Senior Secured bond issue aimed at repurchasing the Notes already issued by the Parent Company Rekeep S.p.A. in 2013, as well as at purchasing the shares held by the minority interests in the share capital of the Parent Company Rekeep S.p.A. and repaying the other financial debt of the entire Group controlled by Manutencoop Società Cooperativa.

Therefore, on 6 July 2017, CMF S.p.A. launched a high-yield bond issue named "*€360,000,000 9.0% Senior Secured Notes due 2022*", which is not convertible and not subordinated, for a total amount on account of principal of € 360 million and due 15 June 2022. The Notes, which were reserved for institutional investors and were listed on the Euro MTF segment managed by the Luxembourg Stock Exchange, as well as on the Extra MOT, Pro Segment, of Borsa Italiana, were issued at a price equal to 98% and a coupon at a fixed rate of 9.0% p.a., payable on a six-monthly basis. The terms and conditions referred to in the rules of the Bond Issue are laid down in the Indenture, which is governed by the law of the State of New York. On the same date Rekeep S.p.A. received from CMF S.p.A. a Proceeds Loan amounting to € 190,300 thousand, subsequently partially repaid, which allowed it, at the same time as the use of a portion of its own Cash and cash equivalents, to have sufficient liquidity to proceed with an early redemption of the Notes issued in 2013.

At the same time, using the remaining portion of cash acquired through the subscription of the Notes, CMF S.p.A. completed the acquisition of the shares held by Institutional Investors in the share capital of Rekeep S.p.A. (equal to 33.2%), thus becoming the sole shareholder of Rekeep S.p.A..

After having attained the set objectives, as required by the Offering Memorandum for the bond issue, on 1 July 2018 the Group completed the merger of CMF S.p.A. by incorporation into its subsidiary Rekeep S.p.A., according to Article 2501-*bis* (merger with debt). The merger entailed the acquisition, directly by Rekeep S.p.A., of the high-yield bond issue named "€360,000,000 9.0% Senior Secured Notes due 2022", which is not convertible and not subordinated, for an overall amount of principal of € 360 million, due 15 June 2022. At the same time, the Proceeds Loan granted by CMF S.p.A. to Rekeep S.p.A. was paid off.

The other financial instruments that are traditionally used by the Group Companies are made up of:

- short-term loans and revolving non-recourse and recourse factoring transactions targeted at funding working capital;
- very short-term credit facilities used for contingent cash requirements;
- medium/long-term loans with a multi-year repayment plan to cover investments in fixed assets and acquisitions of companies and business units.

The Group also uses trade payables deriving from operations as financial instruments. The Group's policy is not to trade financial instruments.

The Group's financial instruments were classed into three levels provided by IFRS 7. In particular, the fair value hierarchy is defined in the following levels:

- Level 1: corresponds to prices of similar liabilities and assets listed on active markets.
- Level 2: corresponds to prices calculated through features taken from observable market data.
- Level 3: corresponds to prices calculated through other features that are different from observable market data.

The table below shows the hierarchy for each class of financial asset measured at fair value at 31 December 2019 and 31 December 2018:

		Hierarchy				Hierarchy		
	31 December 2019	**Level 1**	**Level 2**	**Level 3**	**31 December 2018**	**Level 1**	**Level 2**	**Level 3**
Financial assets at fair value through profit or loss								
Financial receivables, securities and other non-current financial assets	101	101			**101**	101		
- of which securities	101	101			**101**	101		
Available-for-sale financial assets								
Financial receivables and other current financial assets	**0**	0			**179**	179		
- of which securities					**179**	179		
- of which hedging derivatives					**0**	0		
- of which non-hedging derivatives					**0**	0		
TOTAL FINANCIAL ASSETS	**101**	**101**			**280**	**280**		

The other financial assets posted in the Statement of financial position are not measured at fair value and the Group has no financial liabilities measured at fair value at 31 December 2019 and 31 December 2018. During the period under consideration there were no transfers between fair value measurement levels.

There were no changes in allocation of financial assets that led to a different classification of asset. The Group does not hold instruments to warrant amounts receivable to mitigate credit risk. The carrying amount of financial assets, therefore, represents its potential credit risk.

Classes of financial assets and liabilities

The following table shows the classification of financial assets and liabilities recorded in the consolidated Financial Statements of the Rekeep Group, as required by IFRS 7, and the associated economic effects for the year ended 31 December 2019:

	31 December 2019	Financial Assets at Fair value through OCI	Financial Assets at amortized cost
NON-CURRENT FINANCIAL ASSETS			
Other investments	4,957	4,957	
Non-current financial assets	4,819		4,819
Other non-current assets	97,801		97,801
Total non-current financial assets	**107,577**	**4,957**	**102,620**
CURRENT FINANCIAL ASSETS			
Trade receivables and advances to suppliers	412,572		412,572
Current tax receivables	10,090		10,090
Other current assets	31,054		31,054
Current financial assets	4,819		4,819
Cash and cash equivalents	97,143		
Total current financial assets	**555,678**	**0**	**458,535**
TOTAL FINANCIAL ASSETS	**663,255**	**4,957**	**561,155**
FINANCIAL INCOME (COSTS)	**4,136**	**340**	**3,796**

	31 December 2019	Financial Liabilities at Fair Value through profit or loss	Financial Liabilities at amortized cost
NON-CURRENT FINANCIAL LIABILITIES			
Non-current loans	396,759		396,759
Financial liabilities for non-current derivatives	0		0
Other non-current liabilities	551		551
Total non-current financial liabilities	**397,310**	**0**	**397,310**
CURRENT FINANCIAL LIABILITIES			
Trade payables and contractual liabilities	405,950		405,950

	31 December 2019	Financial Liabilities at Fair Value through profit or loss	Financial Liabilities at amortized cost
Current tax payables	1,280		1,280
Other current liabilities	192,465		192,465
Bank borrowings and other financial liabilities	71,830		71,830
Total current financial liabilities	**671,525**	**0**	**671,525**
TOTAL FINANCIAL LIABILITIES	**1,068,835**	**0**	**1,068,835**
FINANCIAL INCOME (COSTS)	**(48,965)**	**0**	**(48,965)**

The same information for the year ended 31 December 2018 is shown below:

	31 December 2018	Financial Assets at Fair value through OCI	Financial Assets at amortized cost
NON-CURRENT FINANCIAL ASSETS			
Other investments	4,905	4,905	
Non-current financial assets	5,662		5,662
Other non-current assets	2,897		2,897
Total non-current financial assets	**13,464**	**4,905**	**8,559**
CURRENT FINANCIAL ASSETS			
Trade receivables and advances to suppliers	417,930		417,930
Current tax receivables	14,658		14,658
Other current assets	22,320		22,320
Current financial assets	5,532		5,532
Cash and cash equivalents	94,733		
Total current financial assets	**555,173**	**0**	**460,440**
TOTAL FINANCIAL ASSETS	**568,637**	**4,905**	**468,999**
FINANCIAL INCOME (COSTS)	**754**	**(843)**	**1,597**

	31 December 2018	Financial Liabilities at Fair Value through profit or loss	Financial Liabilities at amortized cost
NON-CURRENT FINANCIAL LIABILITIES			
Non-current loans	361,687		361,687
Financial liabilities for non-current derivatives	0		0
Other non-current liabilities	660		660
Total non-current financial liabilities	**362,347**	**0**	**362,347**
CURRENT FINANCIAL LIABILITIES			
Trade payables and contractual liabilities	399,602		399,602
Current tax payables	954		954
Other current liabilities	90,360		90,360
Bank borrowings and other financial liabilities	37,366		37,366
Total current financial liabilities	**528,282**	**0**	**528,282**
TOTAL FINANCIAL LIABILITIES	**890,629**	**0**	**890,629**
FINANCIAL INCOME (COSTS)	**(36,565)**	**0**	**(36,565)**

Liquidity risk

The Group's objective is to maintain a balance between funding and flexibility through the use of current account overdrafts, short-term bank loans (hot money and advances), finance leases and medium/long-term loans.

The Group is characterised by a labour-intensive model which does not involve significant requirements of capital for investments. However, the Group's customers are mainly composed of public authorities, known for long payment times in respect of the services provided. This aspect means the Group has to also finance working capital through bank indebtedness.

For this purpose the Group may make use of committed credit lines in the form of loans or of assignments without recourse of trade receivables in order to meet financial requirements (if any).

Within the context of the abovementioned refinancing transaction, CMF S.p.A. also signed a Super Senior Revolving (RCF) loan agreement for a total amount of € 50 million, governed by English law, transferred to Rekeep S.p.A. following the above-mentioned reverse merger. Specifically, the Super Senior Revolving Loan agreement was entered into between, among others, CMF S.p.A., on the one hand, and J.P. Morgan Limited and UniCredit S.p.A., which act as Mandated Lead Arrangers, UniCredit Bank AG, Milan Branch, as Agent and Security Agent, and the Original Lenders, on the other hand. After the merger, the indirect subsidiary Servizi Ospedalieri S.p.A. may also access the revolving credit facility, providing a specific personal security. No amount arising from uses under the Super Senior Revolving Loan Agreement may be used, directly or indirectly, in order to, among other things, proceed with the repurchase or redemption of the Bond Issue or the purchase of shares in Rekeep S.p.A..

The RCF line, which had not yet been used at the reporting date, is an important cash elasticity tool that can be activated on demand within a limited number of business days.

Finally, on 14 November 2017 the Parent Company signed a new loan agreement with CCFS for a total amount of € 10 million. The loan includes two lines of credit, the first of which, amounting to € 5,000 thousand, was disbursed at the same time as the execution and will expire in April 2023. The second 66-month line of credit, for an additional amount of € 5,000 thousand, was disbursed on 13 February 2018, after the end of the financial year and provides for the repayment in six-monthly instalments, with a pre-amortization period of 12 months.

The Group's management believes that the structure of the financial debt maturity, as well as the availability of the abovementioned committed credit lines, allow the Group to meet its financial requirements in an adequate manner.

Price risk

Risks of this nature which the Group is exposed to could involve changes in the price:

- of oil products relating to heat management activities,
- of cotton, the raw material in the linen used for laundering activities.

However, concerning oil products, these changes are, for the most part, accommodated by the conditions of contracts in place with customers, given that price revision is provided for both by contract, and by art. 115 of Decree Law no. 163 of 12 April 2006. Therefore, it is deemed that the effect on the Group's profit for the year arising from changes in prices, even significant, would essentially have been insignificant, in terms of amount.

Credit risk

The Group's portfolio mix, which, in the past, was made up mainly of contracts with the Public Administration, a situation that did not present insolvency problems, but which required constant contact with customers in order to minimise delays caused by the Authority's red-tape and jointly resolve problems relating to their financial management.

At present the portfolio mix also includes some large Italian industrial and banking groups, mainly organised as a network all over the country.

There are no significant credit concentration risks to report, which are carefully monitored by the Group. Furthermore, given the continuing economic downturn, the Group has equipped itself with specific procedures and structures aimed at a more efficient management of its working capital, as well as of debt collection.

Fair value

The carrying amount of the Group's financial instruments recorded in the Consolidated Financial Statements does not deviate from the fair value, including the value of those classified as assets held for sale. Market interest rates were applied to financial assets and liabilities as at the balance sheet date.

The comparison between the carrying amount and fair value of the main financial assets and liabilities is shown below:

	Carrying Amount		Fair value	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
FINANCIAL ASSETS				
Cash and cash equivalents	97,143	94,733	97,143	94,733
Receivables and other current financial assets	4,819	5,532	4,819	5,532
Other minority interests	4,957	4,905	4,957	4,905
Non-current financial receivables	4,819	5,662	4,819	5,662
FINANCIAL LIABILITIES				
Loans:				
- Variable rate loans	15,247	7,728	15,247	7,728
- Fixed rate loans	390,480	387,243	390,480	387,243
Other current financial liabilities	62,862	4,082	62,862	4,082

Interest rate risk

With the refinancing transaction carried out through CMF S.p.A., the Group has requalified its own financial structure, extending the maturity of the medium/long-term debt and keeping a short-term debt portion balanced with respect to the financing requirements of its working capital.

The main source of financing of the Rekeep Group consists of the Senior Security Notes bond issue with a coupon at a fixed rate of 9% following the merger of CMF S.p.A. by incorporation into Rekeep S.p.A. on 1 July 2018.

In addition to the bond issue the Group uses, as medium/long-term financing, bank loans subject to the application of fixed interest rates and finance lease agreements subject to the application of variable interest rates.

The forms of short-term financing used by the Group, which are mainly subject to the application of variable rates which can be identified as the EURIBOR rate, include current account overdrafts, short- and very short-term (hot money) bank loans and assignments of receivables.

The Group's indebtedness mix is then mainly linked to medium/long-term fixed interest rates.

The breakdown of financial instruments of the Group exposed to interest rate risks is listed in note 16, to which reference should be made as regards Loans, and in notes 8 and 11 to which reference should be made as regards *Non-current financial assets and Cash and cash equivalents*, *Receivables and other current financial assets,* respectively.

Interest rate sensitivity analysis

The structure of the consolidated debt is affected, to a marginal extent, by the changes in market rates, as it is mainly based on forms of financing subject to the payment of interest calculated on the basis of fixed rates, as described above. For the remaining amount, the Group makes recourse to variable rate loans, which are linked to the EURIBOR performance.

The table below shows the sensitivity of pre-tax profit for the year to reasonably possible variations in interest rates, all the other variables being kept constant.

	Increase / Decrease	Effect of the profit (loss), gross of taxes
Financial year ended 31 December 2019	+ 150 bps	(635)
	- 30 bps	127
Financial year ended 31 December 2018	+ 150 bps	(1,190)
	- 30 bps	238

The sensitivity analysis confirms the rigidity of the financial structure adopted by the Rekeep Group, which is mainly based on medium/long-term fixed-rate loans, as already detailed above.

Exchange rate risk

The Group's international footprint is still marginal compared to its overall operations: therefore the Group is not exposed to significant exchange rate risks.

Capital management

The key objective of the Group's capital management is to guarantee that a solid credit rating is maintained as well as adequate capital ratios to support operations and to maximise value for shareholders.

The Group manages the capital structure and amends it on the basis of changes in economic conditions. In order to maintain or adjust the capital structure, the Group can adjust the dividends paid to shareholders, repay principal or issue new shares.

The Group checks its debt ratio, by assessing the ratio of net debt to the total of own equity and net debt: interest-bearing loans, trade payables, other payables and provisions for employee severance indemnity net of cash and cash equivalents.

	31 December 2019	31 December 2018
Employee termination indemnity	12,443	14,730
Interest-bearing loans	405,727	394,971
Trade payables and contract liabilities	405,950	399,602

	31 December 2019	31 December 2018
Other current payables	192,465	90,360
Other current financial payables	62,862	4,082
Cash and cash equivalents	(97,143)	(94,733)
Other current financial assets	(4,819)	(5,532)
Total Net Debt	**977,485**	**803,480**
Group shareholders' equity	151,970	164,824
Undistributed net profit (loss)	(3,285)	(15,734)
Total Capital	**148,685**	**149,090**
EQUITY AND NET DEBT	**1,126,170**	**952,570**
INDEBTEDNESS RATIO	**86.8%**	**84.3%**

An increase was recognized in the debt ratio compared to the value at 31 December 2018 following an increase in net debt, which was due to, among others, the recognition of the financial liability for operating leases (following the adoption of the new accounting standard IFRS 16) which amounted to € 42,920 thousand at 31 December 2019, and to higher current payables due to the recognition of liabilities relating to the notice of payment of the deposit requested within the dispute relating to the FM4 Tender. This change was accompanied by a simultaneous decrease in the capital, following the distribution of reserves to the sole shareholder made by the Parent Company (€ 13,000 thousand).

38. OTHER INFORMATION

In 2019 some Group companies received financial benefits from Public Authorities or entities treated as such as referred to in Law no. 124 of 4 August 2017 bearing "*Annual Act on market and competition".*

Specifically, during the 2019 financial year the Parent Company Rekeep S.p.A. and its subsidiary Telepost S.p.A. achieved tax credits on R&D projects which meet the requirements provided for in Law no. 190 of 23 December 2014 (Article 1, paragraph 35), partly amended by Law no. 232 of 11 December 2016 (Article 1, paragraphs 15 and 16), as detailed in note 21 above.

Furthermore, the Parent Company Rekeep S.p.A. and Medical Device S.r.l. entered into soft loans named "Artigiancassa Loan" and "Sabatini Loan", respectively, as described in note 16 above.

Finally, additional financial benefits were obtained for a lower amount, for which reference should be made to the information provided in the "Register of State Aids" published on-line.

39. SUBSEQUENT EVENTS

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

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

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

Rekeep S.p.A. and the Group it controls, in compliance with the urgent legislative measures taken by the Italian Government and the instructions given by the Italian Ministry of Health and the Regions involved, have taken preventive measures and issued operating instructions to contain the spreading of the virus and safeguard the users of its services, its workers, its customers and its potential visitors. The Company and Group Management staff members monitor the situation continuously so that they can take all the decisions in real time that are necessary to protect the health of the persons they are involved with on any basis.

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

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

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

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

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

Zola Predosa, 24 March 2020

The Chairman and CEO

Giuliano Di Bernardo

ANNEX I

GROUP COMPANIES

PARENT COMPANY

	Currency	Registered Office	City
Rekeep S.p.A.	Euro	Via Ubaldo Poli n. 4	Zola Predosa (BO)

SUBSIDIARIES CONSOLIDATED ON A LINE-BY-LINE BASIS

Name	Registered Office	City	% Held	Currency
Bologna Strade Soc. Cons. a r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	54.37%	Euro
Catermed S.A.	ul. Traktorowa no. 126/201, 91-204	Łódź (Poland)	64.2%	PLN
CO.GE.F. Soc. Cons. a r.l	Via Ubaldo Poli no. 4	Zola Predosa (BO)	80%	Euro
Consorzio Igiene Ospedaliera Soc. Cons. a r.l	Via Ubaldo Poli no. 4	Zola Predosa (BO)	66.66%	Euro
Consorzio Servizi Toscana Soc. Cons. a r.l	Via Ubaldo Poli no. 4	Zola Predosa (BO)	60%	Euro
Consorzio Stabile CMF	Via Ubaldo Poli no. 4	Zola Predosa (BO)	99%	Euro
Emmetek S.r.l.	Via Asiago no. 77/9	Cassola (VI)	100%	Euro
Evimed S.r.l.	Via Zamenhof no. 363	Vicenza	100%	Euro
Energy Saving Valsamoggia S.r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	63%	Euro
EOS Hijyen Tesis Hizmetleri Saglik Insaat Servis Muhendislik A.S.	Üniversiteler Mahallesi, Bilkent Plaza, A3 Blok, no. 4	Çankaya/ Ankara	51%	TRY
Ferraria Soc. cons. a r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	69%	Euro
Global Oltremare Soc.Cons. a r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	60%	Euro
H2H Facility Solutions S.p.A.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	100%	Euro
H2H Cleaning S.r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	100%	Euro
ISOM Lavori Soc.Cons. a r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	62.71%	Euro
ISOM Gestione Soc.Cons. a r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	52.97%	Euro
IZAN+ sp. z o.o.	ul. Żabiniec no. 46, 31-215	Krakow (Poland)	100%	PLN
JOL-MARK sp. z o.o.	ul. Portowa no. 16G, 44-100	Gliwice (Poland)	100%	PLN
KANARIND Soc.Cons. a r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	62.43%	Euro
Kolumna Transportu Sanitarnego Triomed sp. z o.o.	ul. Północna no. 22, 20-064	Lublin (Poland)	80%	PLN

Name	Registered Office	City	% Held	Currency
Logistica Sud Est Soc.Cons. a r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	60%	Euro
Manutencoop International Services LLC	Qatar Tower, building 35, street 920, zone 63	Doha (Qatar)	49%	QAR
Manutencoop Transport S.a.S.	4 place Louis Armand-Tour de l'Horloge	Paris	100%	Euro
MCF servizi Integrati Soc.Cons. a r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	60%	Euro
Medical Device S.r.l.	Via della Tecnica .52	Montevarchi (AR)	60%	Euro
MSE Soc. Cons. a r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	100%	Euro
Naprzód S.A.	ul. Żabiniec no. 46, 31-215	Krakow (Poland)	80%	PLN
Naprzód Cleaning sp. z o.o.	ul. Żabiniec no. 46, 31-215	Krakow(Poland)	100%	PLN
Naprzód Hospital sp. z o.o.	ul. Żabiniec no. 46, 31-215	Krakow (Poland)	100%	PLN
Naprzód Inwestycje sp. z o.o.	ul. Żabiniec no. 46, 31-215	Krakow(Poland)	100%	PLN
Naprzód IP sp. z o.o.	ul. Żabiniec no. 46, 31-215	Krakow (Poland)	100%	PLN
Naprzód Marketing sp. z o.o.	ul. Żabiniec no. 46, 31-215	Krakow (Poland)	100%	PLN
Naprzód Service sp. z o.o.	ul. Traktorowa n. 126/202, 91-204	Lodz (Poland)	100%	PLN
Palmanova Servizi Energetici Soc.Cons. a r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	60%	Euro
Protec S.r.l.	Via Zamenhof no. 363	Vicenza	100%	Euro
Przedsiębiorstwo Produkcyjno-Handlowo-Usługowe „Postęp" sp. z o.o.	ul. Portowa n.16G, 44-100	Gliwice (Poland)	100%	PLN
Rekeep Arabia for Operations and Maintenance Ltd	P.O Box 230888, Riyadh, 11321, K.S.A., 28th floor, Kingdom tower.	Riyadh (Saudi Arabia)	100%	SAR
Rekeep Digital S.r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	100%	Euro
Rekeep Facility S.a.s.	52, Boulevard de Sebastopol	Paris	100%	Euro
Rekeep France S.a.s.	52, Boulevard de Sebastopol	Paris	70%	Euro
Rekeep Rail S.r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	100%	Euro
Rekeep Saudi Co. Ltd	P.O Box 230888, K.S.A., 28th floor, Kingdom Tower	Riyadh (Saudi Arabia)	100%	SAR
Rekeep United Yönetim Hizmetleri A.Ş.	United Plaza Örnektepe Mh. İmrahor Cd. Sivaseli Sk. 4	Istanbul	50.98%	TRY
Rekeep World S.r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	100%	Euro
S.AN.CO S.c.a.r.l.	Via Aurelio Saffi no. 51	Bologna	100%	Euro
S.AN.GE S.c.a.r.l.	Viale Sarca 336 – Strada Privata Breda – Building 12	Milan	89%	Euro
San Gerardo Servizi Soc.Cons. a r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	60%	Euro
Servizi Brindisi Soc.Cons. a r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	52%	Euro
Servizi Ospedalieri S.p.A.	Via Calvino no. 33	Ferrara	100%	Euro
Servizi Sanitari Sicilia Soc.Cons. a r.l.	Via Calvino no. 33	Ferrara	70%	Euro

Name	Registered Office	City	% Held	Currency
Servizi Taranto Soc.Cons. a r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	60.08%	Euro
Sicura S.p.A.	Via Zamenhof no. 363	Vicenza	100%	Euro
Soluzioni Antincendio S.r.l.	Via Romolo Gessi no.5	Ferrara (FE)	100%	Euro
Telepost S.p.A.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	100%	Euro
Vendi Cleaning sp. z o.o.	ul. Traktorowa n.126/201, 91-204	Lodz (Poland)	100%	PLN
Vendi Marketing sp. z o.o.	ul. Traktorowa no,126, 91-204	Lodz (Poland)	100%	PLN
Vendi Service sp. z o.o.	ul. Traktorowa no.126, 91-204	Lodz (Poland)	100%	PLN
Vendi Servis IP sp. z o.o.	ul. Traktorowa no.126, 91-204	Lodz (Poland)	100%	PLN
Yougenio S.r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	100%	Euro

JOINT VENTURES ACCOUNTED FOR UNDER THE EQUITY METHOD

Name	Registered Office	City	% Held	Currency
AMG S.r.l.	SS Laghi di Avigliana no. 48/a	frazione Roata Raffo Busca (CN)	50%	Euro
CO. & MA. Soc. Cons. a r.l.	Via del Parco no. 16	Tremestieri Etneo (CT)	50%	Euro
DUC Gestione Sede Unica Soc.cons.r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	49%	Euro
Legnago 2001 Soc.cons.r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	50%	Euro
Servizi Sportivi Brindisi Soc.cons.r.l. in liquidation	Via Licio Giorgieri no. 93	Rome	50%	Euro

ASSOCIATES AND OTHER COMPANIES ACCOUNTED FOR UNDER THE EQUITY METHOD

Name	Registered Office	City	% Held	Currency
Alisei S.r.l. in liquidation	Via Cesari no. 68/1	Modena	100%	Euro
Bologna Gestione Patrimonio Soc.Cons. r.l. in liquidation	Via della Cooperazione no. 9	Bologna	27.58%	Euro
BGP2 Soc.Cons. r.l.	Via Giovanni Papini no. 18	Bologna	41.17%	Euro
Bologna Global Strade Soc.Cons. r.l.	Via Pila no. 18	Sasso Marconi (BO)	59.65%	Euro
Bologna Multiservizi Soc.Cons. r.l. in liquidation	Via San Silvestro no. 56	Faenza (RA)	39%	Euro
Bologna Più' Soc.Cons.r.l in liquidation	Via M.E. Lepido no. 182/2	Bologna	25.68%	Euro
Centro Europa Ricerche S.r.l.	Via G. Zanardelli no. 34	Rome	21.38%	Euro

Name	Registered Office	City	% Held	Currency
Consorzio Imolese Pulizie Soc. Cons. a r.l in liquidation	Via Poiano no. 22	Imola (BO)	60%	Euro
Como Energia Soc.Cons. r.l. in liquidation	Via Pietro Strazzi no. 2	Como	30%	Euro
Consorzio Polo Sterilizzazione Integrata a r.l.	Via Facciolati no. 84	Padua	60%	Euro
Consorzio Sermagest Soc.Cons. a r.l. in liquidation	Via Filippo Corridoni no. 23	Rome	60%	Euro
F.lli Bernard S.r.l.	Stradella Aquedotto no. 21	Bari	20%	Euro
Gestione Strade Soc.Cons.a r.l.	Strada Manara no. 64/B	Parma	25%	Euro
Gico System S.r.l.	Via Finelli no. 8	Calderara di Reno (BO)	20%	Euro
Global Provincia Di Rimini Soc.Cons. r.l. in liquidation	Via Ubaldo Poli no. 4	Zola Predosa (BO)	42.40%	Euro
Global Riviera Soc.Cons. a r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	30.66%	Euro
Global Vicenza Soc.Cons. a r.l.	Via Grandi 39	Concordia Sulla Secchia (MO)	41.25%	Euro
Gymnasium Soc.Cons. r.l. in liquidation	Via Ubaldo Poli no. 4	Zola Predosa (BO)	68%	Euro
GR.A.AL. Soc. Cons. a. r.l.	Via Guelfa no. 76	Bologna	29.926%	Euro
Imola Verde e Sostenibile Soc. Cons. a r.l.	Via S. Allende no. 39	Bologna	30%	Euro
Iniziative Produttive Piemontesi S.r.l.	Corso Einaudi no. 18	Turin	24.75%	Euro
Logistica Ospedaliera Soc. Cons. a r.l	Via C. Alberto Dalla Chiesa no. 23/I	Caltanissetta (CL)	45%	Euro
Newco Duc Bologna S.p.A.	Via M.E. Lepido no. 182/2	Bologna	24.90%	Euro
Roma Multiservizi S.p.A.	Via Tiburtina no. 1072	Rome	45.47%	Euro
San Martino 2000 Soc.Cons. a r.l.	Via al Molo Vecchio	Calata Gadda (GE)	40%	Euro
S.E.I. Energia Soc. Cons. a r.l.	Via Emilia no. 65	Palermo (PA)	49%	Euro
Società Consortile Adanti Manutencoop a r.l. in liquidation	Via Ubaldo Poli no. 4	Zola Predosa (BO)	50%	Euro
Serena S.r.l. in liquidation	Via Ubaldo Poli no. 4	Zola Predosa (BO)	50%	Euro
Se.Ste.Ro S.r.l.	Via San Pietro no. 59/B	fraz. Castellina - Soragna (PR)	25%	Euro
Servizi Napoli 5 Soc.Cons. a r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	45%	Euro
Simagest 2 Soc. Cons. a r.l in liquidation	Via Ubaldo Poli no. 4	Zola Predosa (BO)	90%	Euro
Simagest 3 Soc. Cons. a r.l in liquidation	Via Ubaldo Poli no 4	Zola Predosa (BO)	89.99%	Euro
Steril Piemonte Soc.Cons. r.l.	Corso Einaudi no. 18	Turin	25%	Euro
T&M Protection Resources Holdings Italy S.r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	40%	Euro
Tower Soc.Cons. a r.l. in liquidation	Via Zanardi no. 372	Bologna	20.17%	Euro

ANNEX II

VALUTATION OF INVESTMENTS USING THE EQUITY METHOD

	%	Net assets 31 December 2018	Changes for the financial year					Net assets 31 December 2019	Book value	Provision for risks
			Financial effects	Dividends	Revaluations Write-downs	Provision for risks	Effects on shareholders' equity			
Alisei S.r.l. in liquidation	100%	(87)				0		(87)	0	(87)
A.M.G. S.r.l.	50%	2,428		(148)	58			2,338	2,338	
BGP2 Soc.Cons. r.l.	41.47 %	24			80			104	104	
Bologna Gestione Patrimonio Soc. Cons. a. r.l. in liquidation	27.58 %	0			0			0	0	
Bologna Global Strade Soc. Cons. a. r.l.	60%	56	4		0			60	60	
Bologna Multiservizi Soc. Cons. a r.l.	39%	4	(4)					0	0	
Bologna Più Soc. Cons. a r.l.	25.68 %	5						5	5	
Cardarelli Soc. Cons. a r.l. in liquidation	60%	5	(6)		1			0	0	
Centro Europa Ricerche S.r.l.	21.38 %	61			6			67	67	
Co. & Ma. Soc. Cons. a r.l.	50%	5						5	5	
Como Energia Soc. Cons. a r.l. in liquidation	30%	11						11	11	
Consorzio Imolese Pulizie Soc. Cons. a r.l in liquidation	60%	6						6	6	
Consorzio Polo sterilizzazione Integrata	60%	1						1	1	
Consorzio Sermagest in liquidation	60%	0						0	0	
DUC Gestioni Soc.Cons. a r.l.	49%	10						10	10	
F.lli Bernard S.r.l.	20%	1,483		(50)	294			1,727	1,727	
Gestione Strade Soc.Cons. a r.l.	25%	13						13	13	

	%	Net assets 31 December 2018	Changes for the financial year					Net assets 31 December 2019	Book value	Provision for risks
			Financial effects	Dividends	Revaluations Write-downs	Provision for risks	Effects on shareholders' equity			
GICO Systems S.r.l.	20%	163		0	61			225	225	
Global Provincia di Rimini Soc.Cons. a r.l.	42.40 %	4						4	4	
Global Riviera Soc.Cons. a r.l.	30.66 %	9						9	9	
Global Vicenza Soc.Cons. a r.l.	41.25 %	4						4	4	
GR.A.AL. SOC.CONS a r.l.	29.93 %	3						3	3	
Gymnasium soc. Cons. A r.l. in liquidation	68%	7						7	7	
Imola Verde e Sostenibile Soc. Cons. a r.l. (IVES)	30%	0	6					6	6	
IPP S.r.l.	24.75 %	465			(67)			398	398	
Legnago 2001 Soc. Cons. a r.l.	50%	5						5	5	
LIVIA Soc. Cons. a r.l	34.10 %	3	(3)					0	0	
Logistica Ospedaliera Soc. Cons. a r.l	45.00 %	5						5	5	
Newco DUC Bologna S.p.A.	24.90 %	1,275			223		115	1,613	1,613	
Palazzo della Fonte S.c.p.a.	33.3%	8,000	(8,000)					0	0	
ROMA Multiservizi S.p.A.	45.47 %	3,396		0	(730)		(48)	2,618	2,618	
San Martino 2000 Soc.Cons. a r.l.	40%	4						4	4	
S.E.I. Energia Soc. Cons. a r.l.	49.00 %	5						5	5	
Società -Consortile Adanti Manutencoop a r.l. in liquidation	50%	10						10	10	
Serena S.r.l.	50%	9						9	9	
Servizi Napoli 5 Soc. Cons. a r.l.	45%	5						5	5	
Servizi Sanitari Treviso (SE.SA.TRE) in liquidation	40%	8	(8)					0	0	
Servizi Sportivi Brindisi Soc. Cons. a r.l. in liquidation	50%	5						5	5	

	%	Net assets 31 December 2018	Changes for the financial year					Net assets 31 December 2019	Book value	Provision for risks
			Financial effects	Dividends	Revaluations Write-downs	Provision for risks	Effects on shareholders' equity			
Simagest 2 Soc.Cons.a r.l. in liquidation	90%	45						45	45	
Simagest 3 Soc.Cons.a r.l. in liquidation	89.99 %	45						45	45	
Steril Piemonte Soc. Cons. a r.l.	25%	1,000			(14)			986	986	
T&M Protection Resources Holdings Italy S.p.A.	40%	600	(596)		(4)			0	0	
Tower Soc.Cons. a r.l.	20,17 %	20						20	20	
NET BOOK VALUE		**19,120**	**(8,607)**	**(198)**	**(92)**	**0**	**67**	**10,289**	**10,376**	**(87)**

ANNEX III

RELATED-PARTY TRANSACTIONS

PARENT COMPANIES

		Revenues	Costs	Financial income	Financial charges		Trade receivables	Financial receivables and others	Trade payables	Financial payables and others
CMF S.p.A.	31-Dec-18				8,679	31-Dec-18				
	31-Dec-19					31-Dec-19				
Manutencoop Società Cooperativa	31-Dec-18	230	30,695	1	1,244	31-Dec-18	88	15,285	9,042	20,800
	31-Dec-19	159	32,014		1,123	31-Dec-19	62	8,002	8,943	33,096

ASSOCIATES AND JOINT-VENTURES

		Revenues	Costs	Financial income	Financial charges		Trade receivables	Financial receivables and others	Trade payables	Financial payables and others
Alisei s.r.l. in liquidation	31-Dec-18					31-Dec-18	3			1
	31-Dec-19					31-Dec-19	3			1
AMG S.r.l.	31-Dec-18		261			31-Dec-18			242	
	31-Dec-19		270			31-Dec-19			293	
BGP2 Soc.Cons. r.l.	31-Dec-18					31-Dec-18			89	
	31-Dec-19					31-Dec-19				
Bologna Gestione Patrimonio Soc.Cons. a r.l. in liquidation	31-Dec-18	60	346			31-Dec-18	525		623	
	31-Dec-19	60	878			31-Dec-19	355		1,043	
Bologna Multiservizi Soc.Cons. a r.l.	31-Dec-18		27			31-Dec-18				
	31-Dec-19		40			31-Dec-19				
Bologna Più Soc.Cons. a r.l. in liquidation	31-Dec-18					31-Dec-18		3	3	2
	31-Dec-19					31-Dec-19		3	3	2
Bologna Global Strade	31-Dec-18	3,370	5,821			31-Dec-18	2,597	336	3,796	
	31-Dec-19	2,638	4,711			31-Dec-19	2,322	336	3,588	

		Revenues	Costs	Financial income	Financial charges		Trade receivables	Financial receivables and others	Trade payables	Financial payables and others
Soc. Cons. a r.l										
Cardarelli Soc. Cons. a r.l.	31-Dec-18		39			31-Dec-18			40	
	31-Dec-19		7			31-Dec-19				
Centro Europa Ricerche S.r.l.	31-Dec-18					31-Dec-18				
	31-Dec-19					31-Dec-19				
Como Energia Soc.Cons. a r.l.	31-Dec-18		46			31-Dec-18			102	
	31-Dec-19					31-Dec-19			102	
Consorzio Imolese Pulizie soc.Cons. in liquidation	31-Dec-18					31-Dec-18		36	12	
	31-Dec-19					31-Dec-19		36	12	
Consorzio Polo Sterilizzazione Integrata a r.l.	31-Dec-18					31-Dec-18				
	31-Dec-19					31-Dec-19				
Consorzio Sermagest Soc.Cons. a r.l in liquidation	31-Dec-18					31-Dec-18				
	31-Dec-19					31-Dec-19				
CO.& MA. Soc. Cons. a r.l	31-Dec-18	360	1,120			31-Dec-18	300	20	929	
	31-Dec-19	360	1,035			31-Dec-19	240	20	839	
DUC Gestione Sede Unica Soc. Cons. a r.l.	31-Dec-18	7,216	3,455			31-Dec-18	3,666		773	
	31-Dec-19	7,075	3,538			31-Dec-19	3,877		996	
Fr.lli Bernard s.r.l.	31-Dec-18	(4)	76			31-Dec-18	29	50	46	
	31-Dec-19	12	34			31-Dec-19	41	50	61	
Gestione Strade soc.cons.r.l.	31-Dec-18		84			31-Dec-18			95	
	31-Dec-19	107	1,273			31-Dec-19	57	63	815	
Gico Systems S.r.l.	31-Dec-18	11	1,381			31-Dec-18	9		986	
	31-Dec-19	10	1,388			31-Dec-19	9		953	
Global Provincia di RN Soc.Cons. a r.l. in liquidation	31-Dec-18					31-Dec-18		70	13	
	31-Dec-19					31-Dec-19		70	13	
	31-Dec-18		8			31-Dec-18			(31)	

		Revenues	Costs	Financial income	Financial charges		Trade receivables	Financial receivables and others	Trade payables	Financial payables and others
Global Riviera Soc.Cons. a r.l.	31-Dec-19		8			31-Dec-19			(23)	
Global Vicenza Soc.Cons. a r.l.	31-Dec-18		11			31-Dec-18		10	17	
	31-Dec-19		(4)			31-Dec-19		10	14	
GR.A.AL. Soc. Cons. a. r.l.	31-Dec-18					31-Dec-18				
	31-Dec-19					31-Dec-19				
Grid Modena S.r.l.	31-Dec-18					31-Dec-18				
	31-Dec-19					31-Dec-19				
Gymnasium Soc. cons. a r.l in liquidation	31-Dec-18					31-Dec-18	1	8	33	
	31-Dec-19					31-Dec-19	1	8	33	
Imola Verde e Sostenibile Soc. Cons. a r.l. (IVES)	31-Dec-18					31-Dec-18				
	31-Dec-19					31-Dec-19				3
IPP S.r.l.	31-Dec-18	135				31-Dec-18	126	60		
	31-Dec-19	16				31-Dec-19	12	59		
Legnago 2001 Soc. Cons. r.l.	31-Dec-18		4			31-Dec-18	158		50	
	31-Dec-19		4			31-Dec-19	158		54	
Livia Soc. cons. a r.l.	31-Dec-18					31-Dec-18				
	31-Dec-19					31-Dec-19				
Logistica Ospedaliera Soc. Cons. a r.l.	31-Dec-18					31-Dec-18			15	
	31-Dec-19					31-Dec-19			15	
Newco DUC Bologna S.p.A	31-Dec-18					31-Dec-18			37	
	31-Dec-19		15			31-Dec-19			51	
Palazzo della Fonte S.c.p.a.	31-Dec-18	5,240				31-Dec-18	2,154			
	31-Dec-19	2,401				31-Dec-19	(1)			
Progetto ISOM S.p.A.	31-Dec-18	149	86	60		31-Dec-18				
	31-Dec-19					31-Dec-19				
Roma Multiservizi S.p.A.	31-Dec-18	1,623	1,377			31-Dec-18	3,261		615	
	31-Dec-19	818	1,124			31-Dec-19	3,377		341	
San Martino 2000	31-Dec-18	2,186	2,695			31-Dec-18	236		880	
	31-Dec-19	1,585	2,425			31-Dec-19	135		1,556	

		Revenues	Costs	Financial income	Financial charges		Trade receivables	Financial receivables and others	Trade payables	Financial payables and others
Soc.Cons. r.l.										
Savia Soc. Cons. a r.l	31-Dec-18		(4)			31-Dec-18			36	
	31-Dec-19					31-Dec-19				
Serena S.r.l. - in liquidation	31-Dec-18					31-Dec-18		3		
	31-Dec-19					31-Dec-19		3		
Servizi Napoli 5 Soc.Cons. a r.l.	31-Dec-18	1,397	1,310			31-Dec-18	2,710		1,820	
	31-Dec-19	1,400	1,322			31-Dec-19	2,773		1,731	
Se.Sa.Mo. S.p.A.	31-Dec-18	5,080		27		31-Dec-18				
	31-Dec-19					31-Dec-19				
S.E.I. Energia Soc. Cons. a r.l.	31-Dec-18	53				31-Dec-18	63	735		
	31-Dec-19	67		22		31-Dec-19	121	776		
SESATRE S.cons. a r.l.	31-Dec-18		161			31-Dec-18			18	
	31-Dec-19					31-Dec-19				
Se.Ste.Ro S.r.l.	31-Dec-18					31-Dec-18				
	31-Dec-19					31-Dec-19				
S.I.MA.GE ST2 Soc. Cons. r.l. in liquidation	31-Dec-18					31-Dec-18		75	13	2
	31-Dec-19					31-Dec-19		75	13	2
S.I.MA.GE ST3 Soc. Cons. r.l in liquidation	31-Dec-18					31-Dec-18		3	3	
	31-Dec-19					31-Dec-19		3	3	
Società Consortile Adanti Manutenco op in liquidation	31-Dec-18					31-Dec-18			53	
	31-Dec-19					31-Dec-19			53	
Steril Piemonte Soc. cons. a.r.l	31-Dec-18		723			31-Dec-18	7	75	346	
	31-Dec-19		714			31-Dec-19	7		496	
Synchron Nuovo San Gerardo S.p.A.	31-Dec-18	5,979	211	202		31-Dec-18				
	31-Dec-19					31-Dec-19				
T&M Protection Resources Holdings Italy S.p.A.	31-Dec-18	6				31-Dec-18	7			
	31-Dec-19	47				31-Dec-19				
Tower Soc.Cons.	31-Dec-18					31-Dec-18	33	29		
	31-Dec-19					31-Dec-19	33	29		

		Revenues	Costs	Financial income	Financial charges		Trade receivables	Financial receivables and others	Trade payables	Financial payables and others
a r.l. in liquidation										

SUBSIDIARIES OF MANUTENCOOP SOCIETA' COOPERATIVA

		Revenues	Costs	Financial income	Financial charges		Trade receivables	Financial receivables and others	Trade payables	Financial payables and others
Cerpac S.r.l. ir liquidation	31-Dec-18					31-Dec-18	1			
	31-Dec-19					31-Dec-19	1			
Manutencoop Immobiliare S.p.A.	31-Dec-18	10	1,016			31-Dec-18	3	173		
	31-Dec-19					31-Dec-19				
Nugareto Società Agricola Vinicola S.r.l.	31-Dec-18	15	10			31-Dec-18	1		5	
	31-Dec-19	1	5			31-Dec-19			5	
Sacoa S.r.l.	31-Dec-18	67	37			31-Dec-18	25	23	22	
	31-Dec-19	43	20			31-Dec-19	15			
Sacoa Servizi Telematici S.r.l.	31-Dec-18					31-Dec-18				
	31-Dec-19					31-Dec-19				
Segesta servizi per l'Ambiente S.r.l.	31-Dec-18	6				31-Dec-18	2			
	31-Dec-19	5				31-Dec-19	2			

ASSOCIATES OF MANUTENCOOP SOCIETA' COOPERATIVA OR OTHER RELATED PARTIES

		Revenues	Costs	Financial Income	Financial charges		Trade receivables	Financial receivables and others	Trade payables	Financial payables and others
Consorzio Karabak Società Cooperativa	31-Dec-18	66				31-Dec-18	21			
	31-Dec-19	73				31-Dec-19	26			

		Revenues	Costs	Financial Income	Financial charges		Trade receivables	Financial receivables and others	Trade payables	Financial payables and others
Consorzio Karabak 2 Società Cooperativa	31-Dec-18	3	1			31-Dec-18	1		1	
	31-Dec-19	5	1			31-Dec-19	2			
Consorzio Karabak 4 Società Cooperativa	31-Dec-18		2			31-Dec-18			2	
	31-Dec-19					31-Dec-19			1	
Consorzio Karabak 5 Società Cooperativa	31-Dec-18					31-Dec-18			1	
	31-Dec-19					31-Dec-19				
Consorzio Karabak 6 Società Cooperativa	31-Dec-18					31-Dec-18				
	31-Dec-19					31-Dec-19				

		Revenues	Costs	Financial Income	Financial charges		Trade receivables	Financial receivables and others	Trade payables	Financial payables and others
TOTAL	**31-Dec-18**	**33,258**	**50,998**	**290**	**9,923**	**31-Dec-18**	**16,027**	**16,994**	**20,727**	**20,805**
	31-Dec-19	**16,882**	**50,822**	**22**	**1,123**	**31-Dec-19**	**13,631**	**9,623**	**22,004**	**33,104**
Of which Discontinued Operations	**31-Dec-18**					**31-Dec-18**				
	31-Dec-19					**31-Dec-19**	**9**	**493**	**36**	**3,184**

ANNEX IV

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

	For the year ended			
	2019		2018	
Cash and cash equivalents at the beginning of the year		**94,733**		**59,870**
Cash flow from current operations:		**55,194**		**49,536**
Profit before taxes	18,306		24,269	
Amortizations, depreciations, write-downs (write-backs) of assets	37,789		31,121	
Accruals (reversals) of provisions	4,270		2,584	
Employee termination benefits provision	1,086		1,073	
Income (loss) from equity investments, net of dividends collected	290		2,841	
Financial charges (income) for the period	41,428		32,103	
Net interests received (paid) in the period	(33,904)		(25,823)	
Taxes paid in the period	(6,715)		(11,808)	
Reclassifications:				
Non-cash net financial charges accounted for under the Statement of profit or loss	*(7,357)*		*(6,824)*	
Uses of provisions for risks and charges and payments of the employee termination indemnity:		**(6,258)**		**(7,180)**
Uses of employee terminations benefits	(2,119)		(1,875)	
Uses of provisions for risks and charges	(4,139)		(5,305)	
CHANGE IN NWOC:		**4,634**		**14,965**
Decrease (increase) in inventories	(1,453)		(281)	

	For the year ended			
	2019		2018	
Decrease (increase) in trade receivables	5,978		11,289	
Changes in trade payables	109		3,957	
INDUSTRIAL AND FINANCIAL CAPEX:		**(48,934)**		**(18,449)**
(Purchase of intangible assets, net)	(7,681)		(7,947)	
(Purchase of property, plant and equipment)	(25,020)		(24,040)	
Sale of property, plant and equipment	63		457	
(Acquisition of investments)	8,700		11,041	
Decrease (increase) of financial assets	2,114		460	
Financial effects of Business combinations	(10,813)		(1,529)	
Discontinued operations	(2,941)		220	
Reclassifications:				
Net change in the balance of short-term financial assets, to be included in the balance of net financial liabilities	*(2,108)*		*3,580*	
Payables for acquisition of equity investments and business combinations	*(8,484)*		*(690)*	
Financial effects of Business combinations	*(11,127)*			
Reclassification of Debt of Discontinued Operations	*8,363*			
CHANGE IN NET FINANCIAL LIABILITIES:		**21,647**		**176,946**
Change in finance lease debt	(1,143)		(445)	
New (repayment of) operating lease debt	(6,993)		0	
Acquisition of non-current borrowings	0		6,676	
Repayment of non-current borrowings	(12,199)		0	
Proceeds from/(repayment of) short term bank debt	(4,574)		(86)	
Other changes in financial debt	6,350		(14,391)	
Adjustments:				
Financial effects of Business combinations	*0*		*181,258*	
Reclassifications:				
Non-cash net financial charges accounted for under the Statement of Profit or Loss	*7,357*		*6,824*	
Net change in the balance of short-term financial assets, to be included in the balance of net financial liabilities	*2,108*		*(3,580)*	

	For the year ended			
		2019		2018
Financial effects of Business combinations	*11,127*		*0*	
Non-cash elements on net acquisitions of fixed assets	*6,493*		*0*	
Payables for acquisition of equity investments and business combinations	*8,484*		*690*	
Distribution of reserves and other changes in Equity	*13,000*			
Reclassification of Debt of Discontinued Operations	*(8,363)*			
OTHER CHANGES:		**(23,872)**		**(180,956)**
Decrease (increase) in other current assets	(6,962)		8,413	
Change in other current liabilities	2,894		(5,984)	
Dividends paid	0		(70)	
Acquisition/assignment of minority interests of subsidiaries	(230)		(1,500)	
Difference of financial statements translations in foreign currency	(81)		(557)	
Adjustments:				
Financial effects of Business combinations			*(181,258)*	
Reclassifications:				
Financial effects of Business combinations				
Non-cash elements on net acquisitions of fixed assets	*(6,493)*			
Distribution of reserves and other changes in equity	*(13,000)*			
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**97,143**		**94,733**

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