REPORT ON OPERATIONS

for the year 2019

rekeep

minds that work

GENERAL INFORMATION

REGISTERED OFFICE

Via U. Poli, 4
Zola Predosa (Bo)

BOARD OF DIRECTORS

Appointed by the Shareholders' Meeting
of 13 October 2017

CHAIRMAN
AND CHIEF EXECUTIVE OFFICER
Giuliano Di Bernardo

VICE CHAIRMAN
Giuseppe Pinna

DIRECTORS
Laura Duò
Rossella Fornasari
Paolo Leonardelli
Gabriele Stanzani
Matteo Tamburini

BOARD OF STATUTORY AUDITORS

Appointed by the Shareholders' Meeting
of 13 October 2017

CHAIRMAN

Germano Camellini

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

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

INDEPENDENT AUDITORS

EY S.p.A.

PREAMBLE

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

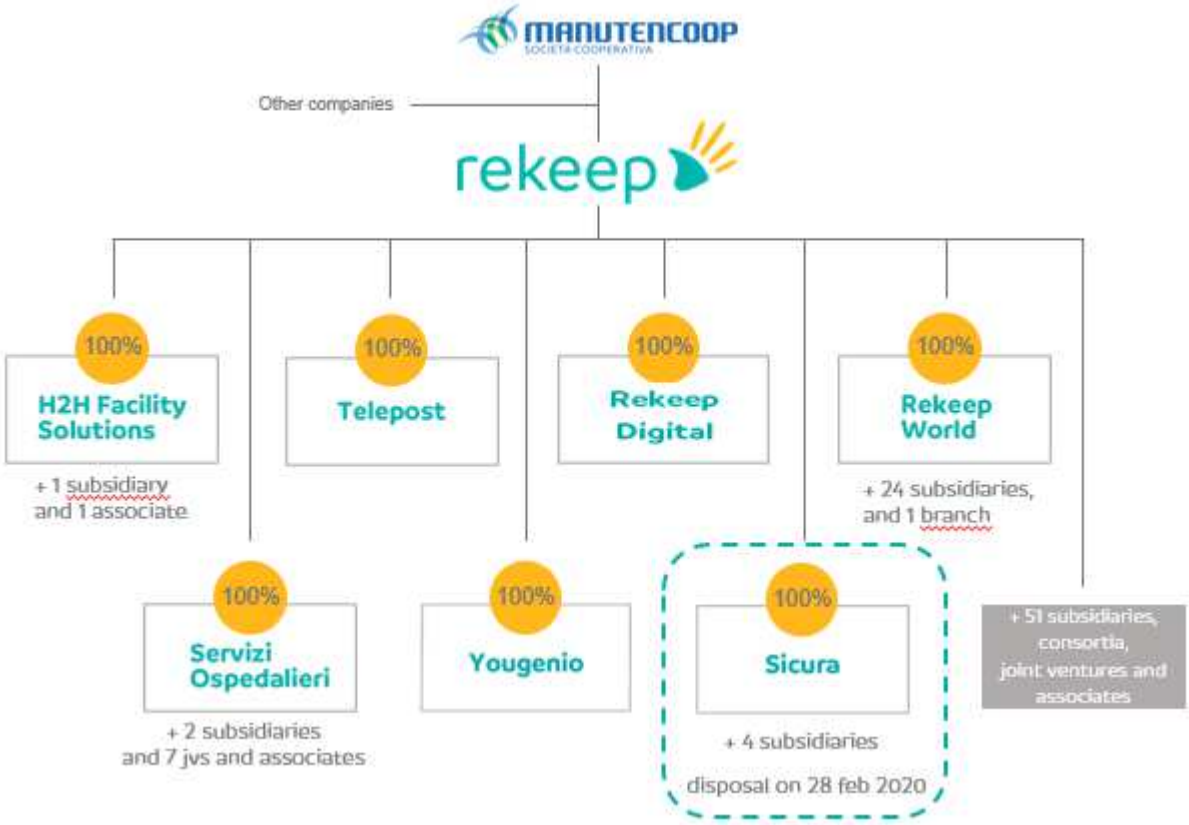
The Rekeep Group is active in the management and provision of integrated services to public and private customers, targeted at properties, the area and to support so-called "Integrated Facility Management" health care activities. At present the Rekeep brand stems from a single operating holding company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

Shareholding structure

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

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

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


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

MACROECONOMIC AND MARKET SCENARIO

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

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

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

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

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

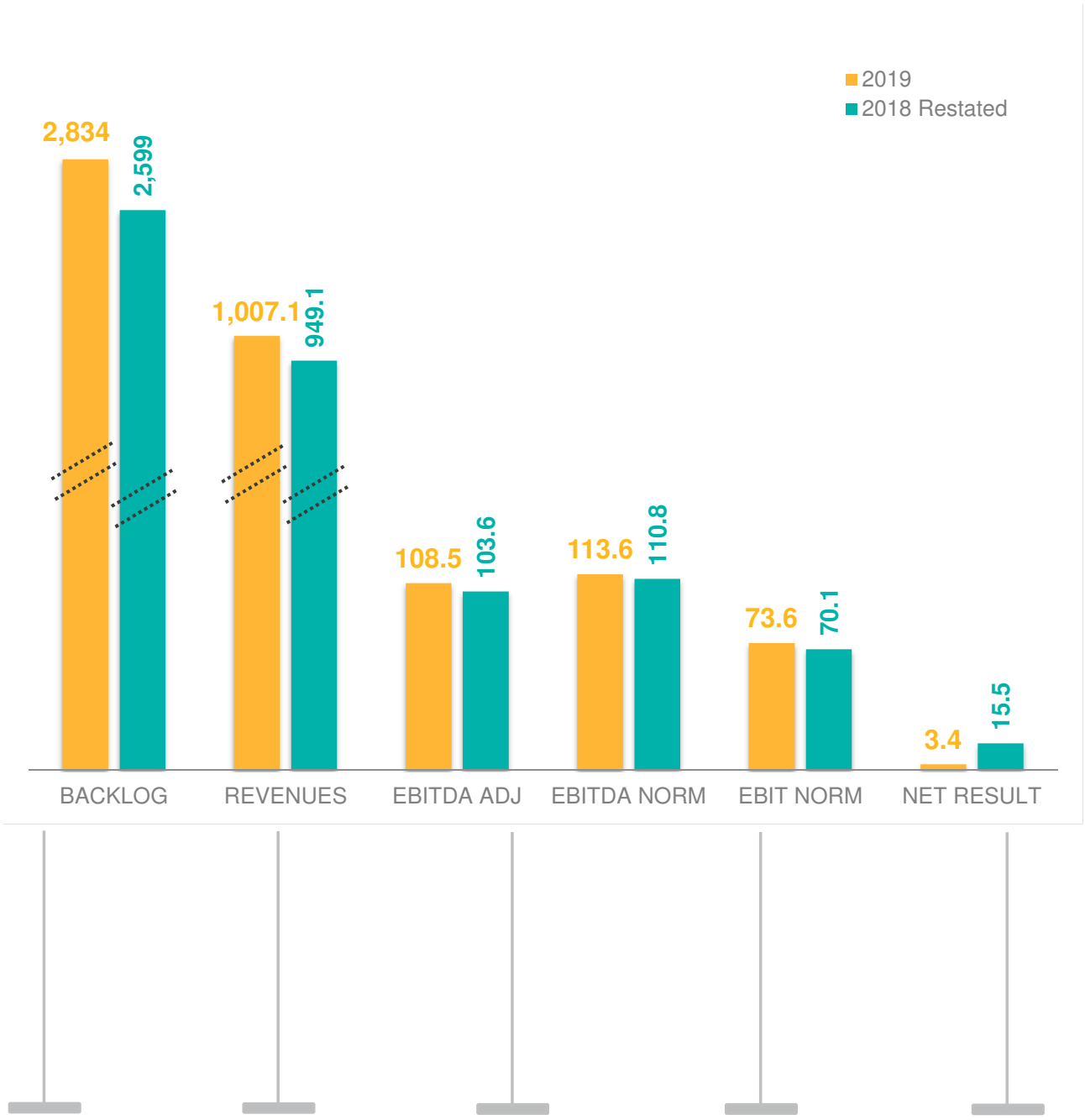
NON-GAAP FINANCIAL MEASURES

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

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

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

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



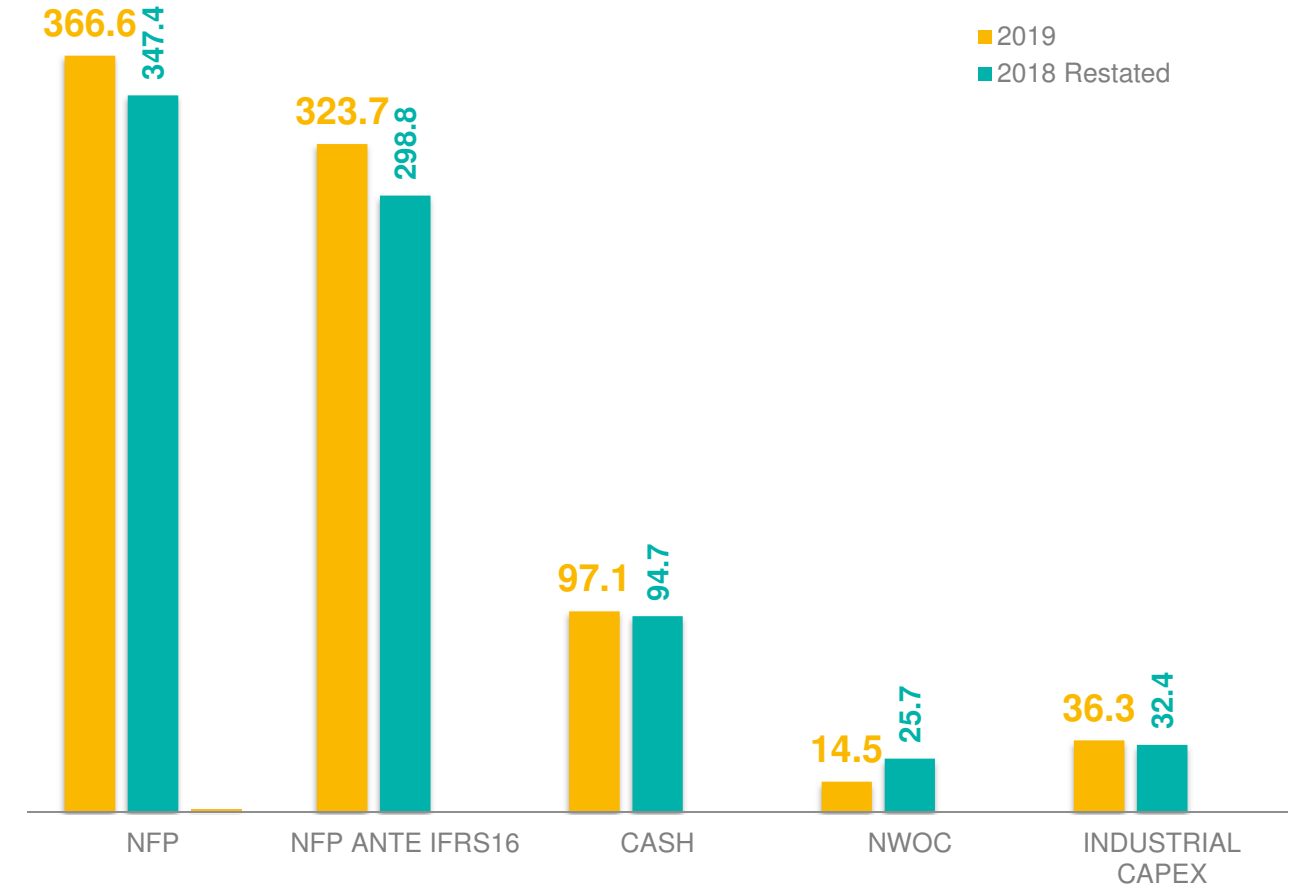
BACKLOG/ REVENUES LTM
2.8x
vs 2.7x at 31/12/2018

REVENUES
+6.0%
vs 31/12/2018

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

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

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



NFP BEFORE IFRS16 / EBITDA NORM BEFORE IFRS16
3.1x

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

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

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

REPORT ON OPERATIONS

PREAMBLE ON THE ADOPTION OF THE NEW ACCOUNTING STANDARD IFRS16

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

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

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

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

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

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

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

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

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

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

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

2019 SIGNIFICANT EVENTS

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

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

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

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

Business development

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

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

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

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

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

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

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

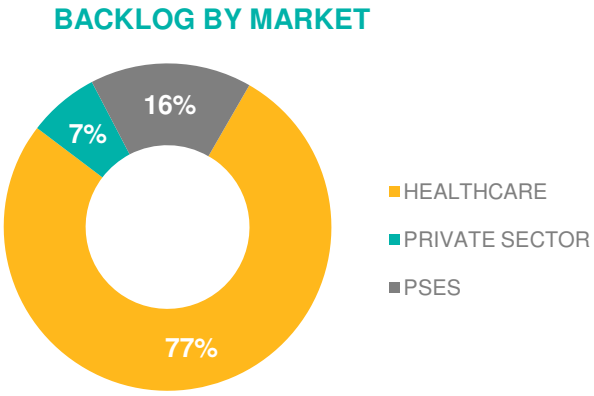
In the Private sector note the orders gained for cleaning and logistics services at the Michelin plants in Lombardy. Cleaning service contracts were also renewed with the SACMI S.C. offices and in the Carrefour and Coop Alleanza 3.0 supermarket network.

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

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

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

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



Buy-back transactions of the Notes issued in 2017

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

Acquisition and disposal of shareholdings in 2019

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

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

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

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

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

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

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

Assets held for sale

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

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

1. SUMMARY OF RESULTS OF THE FOURTH QUARTER OF 2019

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

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

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

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

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

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

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

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

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

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

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

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

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

2.1 Consolidated results of operations for FY 2019

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

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

(in thousands of Euro)	For the year ended 31 December		For the quarter ended 31 December	
	2019	2018 restated	2019	2018 restated
Revenues	1,007,082	949,882	286,966	263,138
Costs of production	(905,537)	(850,718)	(260.066)	(235,652)
EBITDA	**101,545**	**99,172**	**26,900**	**27,486**
EBITDA %	**10.1%**	**10.4%**	**9.4%**	**10.4%**
Amortization, depreciation, write-downs and write-backs of assets	(37,789)	(39,080)	(9,645)	(9,535)
Accrual and reversal of provisions for risks and charges	(4,270)	(2,584)	(2,852)	(1,952)
Operating Income (EBIT)	**59,486**	**57,508**	**14,403**	**15,999**
EBIT %	**5.9%**	**6.1%**	**5.0%**	**6.1%**
Share of net profit of associates	(92)	1,466	(430)	265
Net financial charges	(41,088)	(35,240)	(10,669)	(11,729)
Profit before taxes (EBT)	**18,306**	**23,734**	**3,304**	**4,535**
EBT %	**1.8%**	**2.5%**	**1.2%**	**1.7%**
Income taxes	(14,956)	(8,277)	(5,817)	894
Profit from continuing operations	**3,350**	**15,457**	**(2,513)**	**5,429**
Profit (loss) from discontinued operations	0	0	0	0
CONSOLIDATED NET PROFIT (LOSS)	**3,350**	**15,457**	**(2,513)**	**5,429**
CONSOLIDATED NET PROFIT (LOSS) %	**0.3%**	**1.6%**		
Minority interests	(65)	(108)	86	32
NET PROFIT (LOSS) FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**3,285**	**15,349**	**(2,427)**	**5,461**

(in thousands of Euro)	For the year ended 31 December		For the quarter ended 31 December	
	2019	2018 restated	2019	2018 restated
NET PROFIT (LOSS) FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT %	**0.3%**	**1.6%**		

NON-RECURRING EVENTS AND TRANSACTIONS

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

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

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

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

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

Consolidated Adjusted EBITDA and EBIT are thus represented as follows:

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

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

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

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

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

REVENUES

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

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

REVENUES BY MARKET

(in thousands of Euro)	For the year ended 31 December				For the quarter ended 31 December	
	2019	% of total Revenues	2018	% of total Revenues	2019	2018
PSEs	254,456	25.3%	249,056	26.3%	73,270	68,168
Healthcare	507,845	50.4%	465,355	49.1%	148,098	128,273

(in thousands of Euro)	For the year ended 31 December				For the quarter ended 31 December	
	2019	% of total Revenues	2018	% of total Revenues	2019	2018
Private sector	244,781	24.3%	231,197	24.6%	65,598	62,423
(non-recurring) Compensation for damages	0		4,274	0.4%	0	4,274
CONSOLIDATED REVENUES	**1,007,082**		**949,882**		**286,966**	**263,138**

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

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

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

Analysis of revenues by Segment

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

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

REVENUES BY SEGMENT

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

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

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

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

EBITDA

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

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

EBITDA BY SEGMENT

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

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

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

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

Costs of production

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

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

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

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

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

The average number of employees in service during 2019 was equal to 18,198 (recognized considering the contribution of 9,805 units of the acquired company Naprzód for the two months of contribution to the consolidated financial statements) while it was 16,452 in the same period of the previous year (of which 16,821 versus 15,197 manual workers). As it was said for costs for

services and for fuel and energy consumption, the trend in the number of Group employees, and in particular manual workers, was closely related to the mix of services being delivered, as well as to the impact of related costs on total operating costs.

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

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

Operating Income (EBIT)

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

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

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

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

EBIT BY SEGMENT

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

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

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

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

To the EBITDA performance in the *Laundering&Sterilization* sector in 2019 (+ € 1.9 million compared to the previous year) must be added, at segment EBIT level, amortization and depreciation for € 17.0 million (€ 18.1 million in 2018, mainly relating to the linen used in the linen rental and industrial laundering segment); these values included a downward adjustment of € 1.8 million following Servizi Ospedalieri's review of the useful life of some categories of operating assets used in linen rental and industrial laundering services, which was adjusted in line with the rates of use actually reported. Furthermore, note the recognition of net reversals relating to write-downs of trade receivables for € 0.1 million in 2019 (a provision of € 0.2 million at 31 December 2018) and a net release of provisions for future risks and charges for € 0.1 million (against a net release of € 1.6 million at 31 December 2018), in consideration of some past risk positions that were positively settled during the years. The profit margins by segment

stood at 11.4% in terms of EBIT on related Revenues by segment (10.8% at 31 December 2018). The adjusted amounts also showed an even more evident increase in terms of profit margins, with adjusted EBIT by segment which increased from to € 13.8 million at 31 December 2018 to € 16.2 million at 31 December 2019 and a profit margin which increased from 10.9% in 2018 to 11.9% in 2019.

Profit before taxes

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

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

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

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

During 2019 dividends were collected from non-consolidated companies for € 0.3 million (€ 0.8 million at 31 December 2018). During the year the Parent Company also recognized capital gains on equity investments, equal to € 0.6 million, relating to the collection of the earn-out amount on the disposal of one of the project finance companies within the scope of the abovementioned transaction carried out with 3i EOPF in December 2018. This income was not recognized at the same time as the sale since it was linked to uncertain and unforeseeable future events that occurred during the 2019 financial year. In 2018 costs linked to the disposal of equity investments were recognized for € 1.5 million on the same transaction, which, however, had arisen from consolidation adjustments allocated to some project finance companies invested in by the transferred holding company, for which the consolidated value was different from the statutory carrying amount (stated at the historical cost of acquisition). The separate

financial statements of Rekeep S.p.A. reported, in fact, capital gains on disposal of equity investments (net of additional charges for the transaction) for € 2.6 million.

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

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

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

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

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

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

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

Consolidated net result

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

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

Compared to the previous year, the Profit before taxes showed a decrease of € 5.4 million (€ 23.7 million at 31 December 2019 against € 18.3 million at 31 December 2018 as restated to take account of the effects of changes in accounting standards) against an overall tax burden which increased by € 6.7 million (€ 8.3 million at 31 December 2019 against € 15.0 million at 31 December 2018). It should be noted that lower taxes of € 6.1 million were recognized in 2018, also following the presentation by the Parent Company Rekeep S.p.A. and subsidiaries H2H Facility Solutions S.p.A. and Servizi Ospedalieri S.p.A. of the supplementary tax returns of the Forms UNICO Sc 2014-2108. Net of these proceeds, the overall tax burden would be € 14.4 million in 2018. The substantial stability of the tax burden in the two financial years (+ € 0.6 million), despite a more evident decrease in Profit before taxes (- € 5.4 million), was due to the lack of changes in some tax components (especially IRAP tax) compared to the changes in the Profit before taxes.

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

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

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

The net book value of "Right of use for operating leases" was stated among the balance sheet assets for € 36.7 million at 31 December 2019, following the first-time adoption of the new accounting standard IFRS16, which substantially modified the method to account for operating lease agreements, specifically referred to the agreements concerning property leases, the long-

term hire for the motor vehicles of the corporate fleet and specific equipment on the part of the Group companies. The adjustment would have been equal to € 45.4 million at 31 December 2018. Increases for new agreements for € 6.5 million were recorded during the year, of which € 3.1 million for property leases, in addition to decreases for early withdrawal for € 0.5 million and amortization allowances for € 8.0 million.

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

Net working capital

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

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

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

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



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

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

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

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

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

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

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

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

Other long-term liabilities

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

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

Consolidated net financial indebtedness

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

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

The 2019 financial year saw a negative change in consolidated net financial debt, which increased from € 347.9 million at 31 December 2018 to € 366.6 million at 31 December2019. The adoption of the new IFRS16 – Leases entailed the recognition of the discounted value of future operating lease payments for an amount of € 42.9 million and € 48.6 million at 31 December 2019 and 31 December 2018, respectively. Net of this accounting item, the Net Financial Indebtedness came to € 323.7 million at 31 December 2019 against € 298.8 million at 31 December 2018.

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

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

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

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

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

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

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

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

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

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

(in thousands of Euro)	2019	2018 restated
At 1 January	**94,733**	**59,870**
Cash flow from current operations	55,194	57,238
Uses of provisions for risks and charges and for employee termination indemnity	(6,258)	(7,262)
Change in NWOC	4,634	14,965
Industrial Capex net of disposals	(32,638)	(31,530)
Financial Capex net of disposals	(16,297)	13,082

(in thousands of Euro)	2019	2018 restated
Change in net financial liabilities	21,647	177,648
Other changes	(23,872)	(189,278)
AT 31 DECEMEBR	**97,143**	**94,733**

The overall cash flows mainly reflect:

- a positive cash flow from current operations for € 55.2 million (€ 57.2 million at 31 December 2018);
- outflows from the use of provisions for future risks and charges and for employee termination benefits for € 6.3 million (€ 7.3 million at 31 December 2018);
- a cash flow of € 4.6 million (€ 15.0 million at 31 December 2018) from changes in NWOC resulting from an outflow correlated to an increase in trade receivables for € 6.0 million (against an inflow of € 11.3 million in 2018) against inflows of € 0.1 million relating to a change in the balance of trade payables (against an inflow of € 4.0 million at 31 December 2018) and in the balance of inventories (€ 1.5 million against € 0.3 million at 31 December 2018, mainly related to the stock of medical devices);
- a cash flow of € 32.7 million used in investing activities (€ 32.0 million at 31 December 2018), net of disposals for € 0.1 million (€ 0.5 million at 31 December 2018);
- a net use of resources for financial investments and disinvestments, equal to € 16.3 million at 31 December 2019 against net financial disinvestments of € 13.1 million at 31 December 2018;
- a decrease in net financial liabilities for € 21.6 million, which was mainly due to (i) a reduction in the Senior Secured Notes debt for the repurchase of € 10.3 million of Notes on the open market; (ii) an increase linked to the financial debt acquired in the business combinations for the year, in particular for the Polish company Naprzód and Emmetek (+ € 13.5 million), to which must be added the remaining debt for these acquisitions (+ € 8.5 million); (iii) other changes in the liability related to the use of short-term credit lines for hot money and advances on invoices (- € 4.0 million) and for assignments of trade receivables with recourse (+ € 9.8 million); (iv) a lower liability recognized against factoring firms for amounts received on receivables that had been previously assigned without recourse and returned to them in the subsequent quarter (- € 2.4 million); (v) a reduction in the financial liability recognized ion operating leases (- € 5.8 million); (vi) the reclassification, according to IFRS 5, concerning the net financial liabilities of the sub-group controlled by Sicura S.p.A. (- € 8.4 million). On the other hand, in 2018, an increase was recognized in net financial liabilities for € 177.6 million, which was mainly due to the abovementioned transfer of the title to the Senior Secured Notes-bond issue to Rekeep S.p.A. (€ 360 million) following the merger by incorporation of the issuer CMF S.p.A. and the consequent repayment of the Proceeds Loan existing between the companies (equal to a nominal amount of € 174.2 million at the date of merger). Furthermore, the year saw the recognition of an increase in the used balance of the committed line with CCFS (+ € 10 million) and of lines with other banks (+ € 2.5 million) in addition to other changes in the liabilities related to factoring with recourse (- € 11.6 million) and a lower use of short-term credit lines for hot money and advances on invoices (- € 0.8 million);

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

Industrial and financial Capex

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

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

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

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

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

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

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

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

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

Finally, the cash flow for financial investments posted a positive value of € 13.1 million at 31 December 2018, which was partly linked to the sale to third parties of a stake of 31.98% of the share capital of Progetto ISOM S.p.A., a vehicle company intended for the design, financing, implementation and management of the project for the energy upgrading of the Sant'Orsola Hospital in Bologna, under a project finance concession agreement. Furthermore, the transfer also concerned the entire receivable relating to the interest-bearing shareholder loan, equal to € 2.1 million. The total consideration of € 6.1 million was collected in full at the date of the transfer. Finally, on 28 December 2018 Rekeep S.p.A. transferred a quota of 95% of the capital held in MFM Capital

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

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

Change in Net financial liabilities

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

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

(in thousands of Euro)	31 December 2018 restated	Business Combinations	New loans	Refunds / Repayments	Buy-back/ Early termination	Other changes	31 December 2019
FINANCIAL LIABILITIES	**447,655**	**13,473**	**102,203**	**(127,467)**	**(10,766)**	**43,491**	**468,589**
Current financial assets	(5,532)					713	(4,819)
NET FINANCIAL LIABILTIES	**442,124**	**13,473**	**102,203**	**(127,467)**	**(10,766)**	**44,204**	**463,770**

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

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

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

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

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

As at the closing date of the year short-term uncommitted credit lines had been used for hot money and advances on invoices of € 2.4 million (aimed at meeting peaks in temporary cash requirements linked to the natural performance of operations), against

a balance of € 5.2 million at 31 December 2018. Furthermore, Rekeep S.p.A. has an agreement for the assignment of trade receivables with recourse in place with Unicredit Factoring S.p.A., concerning receivables from customers in the Public sector. During 2019, assignments were made in an overall nominal amount of € 75.5 million while the outstanding balance amounted to € 23.7 million at 31 December 2019 (€ 18.4 million at 31 December 2018). The Polish subsidiary also reported payables for assignments of receivables with recourse equal to € 4.4 million.

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

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

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

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

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

2.3 Financial ratios

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

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

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

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

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

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

The general liquidity ratio (*current ratio*) represents the ratio of current assets to current liabilities and expresses the company's ability to cover current outflow (i.e. current liabilities) with current income (i.e. current assets). The ratio mainly reflects an increase

in current liabilities, in particular for the recognition of the debt for the notice of payment for the deposit requested within the scope of the dispute concerning the FM4 Tender (€ 94.6 million). This debt may be repaid in 72 instalments, subject to the restatement of this debt after the trial proceedings concerning the judgment handed down by the Lazio Regional Administrative Court scheduled for 5 May 2020.

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

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

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

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

Productivity ratios

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

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

At 31 December 2019 the ratio between *Revenues from sales and services* and the total amount of costs for internal and external personnel used in production (cost of employed workers, cost of external workers, services provided by consortia and professional services) came to 1.47 (1.44 at 31 December 2018). The ratio shows a recovery in the growth of sales volumes against a different

mix of composition of operating cost (and in particular in the weight of costs for "internal" personnel", which vary in a way that is not entirely proportional compared to changes in turnover).

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

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

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

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

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

3.1 Economic results in 2019

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

As already noted in the preamble for consolidated data, some newly-issued IFRS and in particular IFRS16 – Leases were adopted from the 2019 financial year. The parent company Rekeep S.p.A. reports its separate financial statements according to these

accounting standards and, for the sake of greater clarity, comparative data have been restated in order to account for the effects of the new accounting standard, as for consolidated data.

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

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

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

In considering the impact of the new IFRS16 in both comparative periods, the Company's EBITDA for the year ended 31 December 2019 came to € 66.6 million against € 66.1 million for the year ended 31 December 2018. Furthermore, note that EBITDA for 2019 was affected by non-recurring costs (net of any income) of € 3.3 million, while non-recurring costs amounted to € 2.2 million in the previous year. Adjusted EBITDA, which excludes these non-recurring elements, was then equal to € 69.9 million for the year ended 31 December 2019, against Adjusted EBITDA of € 68.3 million at 31 December 2018, with an appreciable improvement in terms of profit margins too.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The financial debt structure reported significant changes with respect to the two comparative periods. In fact, the income statement for the year was affected by higher financial costs arising from the transfer of the bond debt (equal to € 360 million) to Rekeep S.p.A. from the third quarter of 2018 only, following the merger by incorporation of the issuer CMF S.p.A. and the consequent repayment of the Proceeds Loan granted by the latter within the refinancing transaction of 2017 (equal to € 174

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

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

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

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

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

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

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

At the same time as the bond issue, CMF S.p.A. also entered, as the Parent Company, into a Super Senior Revolving loan agreement (known as "RCF") for € 50 million, to which Rekeep S.p.A. is a party as Borrower. During 2017 CMF S.p.A. charged

all financing costs (initially equal to € 1,000 thousand), back to Rekeep S.p.A., which will be also amortized on a straight-line basis throughout the entire term of the credit facility (no drawdown had been requested on the reporting date). The cost relating to this line of credit amounted to € 690 thousand (including the commitment fees charged by banks) in both periods under comparison.

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

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

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

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

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

3.2 Statement of financial position

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

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

Net working capital

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

Net working operating capital (**NWOC**), composed of Trade receivables and advances to suppliers and inventories, net of trade payables and contract liabilities, stood at € 8.6 million at 31 December 2019, while it was equal to € 23.5 million at 31 December 2018. The decrease was mainly due to a reduction in the balance of Trade Receivables and advances to suppliers (- € 18.7 million) against a less significant decrease in the balance of Trade payables and contract liabilities (-€ 3.7 million). The Company

made assignments of trade receivables without recourse to Factors for € 136.8 million in the year, while the balance of receivables assigned and not yet collected by the latter at the reporting date amounted to € 52.1 million (€ 46.6 million at 31 December 2018). The **Adjusted NWOC** came to € 60.7 million and € 70.1 million, respectively, during the two years under comparison, with an overall decrease of € 9.4 million.

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

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

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

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

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

- the repayment of the residual debt related to the fine imposed by the Competition Authority during 2016, stated among "Other current liabilities" for € 4.4 million at 31 December 2018, for which the right of instalment payment was granted;
- the recognition of lower net income tax receivables of € 3.4 million compared to the previous year:
- a reduction in the short-term portion of provisions for risks and charges of € 0.5 million;
- the recognition of higher net VAT receivables for € 2.8 million (€ 4.7 million at 31 December 2019 against a receivable of € 1.8 million at 31 December 2018).

Fixed assets

Fixed assets include the following main items:

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

The most substantial changes concerned:

- a reduction in the balance of "Equity investments in subsidiaries, associates and joint-ventures" against the already mentioned reclassification of the investment in Sicura S.p.A. as "Non-current assets classified as held for sale" (-€ 40.1 million), net of increases of € 13.0 million (of which € 11 million as an increase in the equity of Rekeep World S.r.l. to support long-term investments in foreign companies and € 2 million as an increase in the equity of Yougenio S.r.l.) and decreases of € 6.5 million due to write-downs (relating to Rekeep Rail S.r.l. e Yougenio S.r.l.);
- the recognition of the receivable, equal to € 94.6 million, among "Other non-current assets", which the Company reported against an entry of the payable for the payment of the deposit relating to the fine imposed on it by the Competition Authority in relation to the Consip FM4 Tender. Furthermore, the deposit was stated among non-current balance sheet assets, since it constitutes a receivable against sums that are potentially subject to return following the settlement of the existing dispute

(however, the time required for the judgment to become final cannot be estimated at present) and that cannot however be claimed automatically, even following the repayment of the entire debt;

- a reduction in the net book value of the "Rights of use on operating leases", recognized following the first-time adoption of the new accounting standard iFRS16, against the agreements concerning property leases and the long-term hire for the motor vehicles of the corporate fleet. During the year increases of € 2.1 million were recorded for new agreements, of which an amount of € 1.8 million for the corporate fleet, in addition to decreases for early withdrawal for € 0.4 million and amortization allowances for € 5.5 million.

Other non-current liabilities

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

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

Net Financial indebtedness

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

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

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

The 2019 financial year saw the payment of the six-monthly coupons on the Senior Secured Notes totaling € 31.5 million with settlement dates on 15 June and 15 December. The above-mentioned buy-back transactions that were carried out during the

first quarter of 2019 on the other hand ensured savings of € 824 thousand on the financial charges accrued on the repurchased portions for the time being.

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

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

Industrial Capex

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

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

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

(in thousands of Euro)	31 December 2019		31 December 2018	
	Profit (loss) for the year	Shareholders' equity	Profit (loss) for the year	Shareholders' equity
SHAREHOLDERS' EQUITY AND PROFIT (LOSS) FOR THE YEAR AS SHOWN IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY	**5,741**	**165,584**	**15,971**	**174,892**
- Elimination of consolidated equity investment values	(1,826)	(149,686)	(903)	(163,309)
- Accounting of Shareholders' Equity to replace the values eliminated		35,016		64,740

(in thousands of Euro)	31 December 2019		31 December 2018	
	Profit (loss) for the year	Shareholders' equity	Profit (loss) for the year	Shareholders' equity
- Allocation to consolidation difference		88,514		73,327
- Allocation of tangible assets	(4)	57	(4)	60
- Recognition of financial costs on options	(17)	(17)	(170)	(170)
- Dividends distributed to Group companies	(10,280)		(10,064)	
- Profit generated by consolidated companies	1,887	1,887	7,016	7,016
- Associates and JVs valued at equity	(290)	1,699	(2,025)	1,922
- Tax effects on consolidation adjustments	(24)	(196)	(9)	(171)
- Reversal of statutory write-downs	8,100	8,923	6,639	7,214
- Other consolidation adjustments	(1)	190	(717)	(608)
Total consolidation adjustments	**(2,456)**	**(13,614)**	**(237)**	**(10,069)**
Shareholders' equity and profit (loss) for the year pertaining to the Parent Company	**3,285**	**151,970**	**15,734**	**164,823**
Shareholders' equity and profit (loss) for the year pertaining to Minority Interests	65	836	109	669
SHAREHOLDERS' EQUITY AND PROFIT (LOSS) FOR THE YEAR AS SHOWN IN THE CONSOLIDATED FINANCIAL STATEMENTS	**3,350**	**152,806**	**15,843**	**165,492**

4. INTERNAL CONTROL AND RISK FACTORS

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

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

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

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

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

Internal Audit & Antitrust Compliance Office control activities

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

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

Supervisory Board’s activities under Legislative Decree 231/2001

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

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

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

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

For each audit, the Work Plan indicate:

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

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

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

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

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

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

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

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

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

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

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

Other risk factors

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

Risks related to competition

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

Financial risks

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

5. ORGANISATIONAL MODEL PURSUANT TO LEGISLATIVE DECREE 231/2001

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

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

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

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

6. ANTITRUST CODE OF CONDUCT

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

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

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

7. UPDATE ON LEGAL PROCEEDINGS

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

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

During 2019 administrative proceedings continued in relation to the fine levied by the Competition Authority ("AGCM") to Parent Company Rekeep S.p.A. (formerly Manutencoop Facility Management S.p.A.) on 20 January 2016 due to the breach of competition rules on the part of some companies which had taken part in a European Union tender for cleaning services in school buildings called by CONSIP in 2012. On 23 December 2016, following a number of rulings handed down by the administrative court and by the Council of State, the Authority adopted a new order, recalculating the fine at € 14,700 thousand. Furthermore, in relation to the Council of State's judgment no. 928/2017 filed on 1 March 2017, the Company filed an appeal with the Supreme Court for jurisdiction reasons. The Supreme Court declared the appeal inadmissible on 18 January 2019. The new order issued by the Competition Authority for redetermining the fine was also challenged before the Lazio Regional Administrative Court and the Company is waiting for the hearing to be scheduled.

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

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

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

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

The Company filed an appeal against the Regional Administrative Court's order with the Council of State on 1 August 2019; on 12 September 2019 the Council of State rejected the appeal, confirming the Lazio Regional Administrative Court's order dated 18 July. On 17 September 2019 the Company informed the market that it had not provided any deposit in favour of the Competition Authority; on 29 October the latter formally asked the Company to provide the deposit within 15 days, in the enforcement of the Lazio Regional Administrative Court's order of September, while informing that, if the Company failed to do so, the sums due would be entered in the taxpayers' list. The Company has not provided any deposit within the expiry of said time limits, while believing that the payment of the sums entered in the taxpayers' list may be made within the time limits and according to the methods prescribed by law, also pursuant to Article 19 of Presidential Decree 602/1973 and Ministerial Decree of 6 November 2013, as supplemented by the Directives issued by the Revenue Agency – Collection.

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

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

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

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

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

8. HUMAN RESOURCES AND ORGANISATION

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

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

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

Prevention and protection

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

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

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

In continuing the work for the certification of the "safety management system OHSAS 18001", which was started by RINA in 2012, some sample orders were assessed by the certifying body in 2019. The findings of the audits carried out reported some minor instances of non-compliance (not affecting the validity of the certificate) with respect to which the Area Managers concerned and

the various Corporate staff Functions (Prevention and Protection Service, Procurement Department, HR Department) have taken any related action. These instances are mainly formal and not material. The audit carried out by RINA has been concluded positively, thus allowing the group to maintain the certification.

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

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

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

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

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

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

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

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

There were no fatal accidents at work during 2019.

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

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

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

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

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

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

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

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

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

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

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

Training

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

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

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

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

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

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

In 2019 the Group completed the first Talent Management course, which had involved more than 90 colleagues in 2017, and launched the second Rekeep Talent Academy course involving another 43 new colleagues. In addition, two new courses were

launched involving the population of the first Talent course, in order to develop a Brand Ambassador team and a Group Change Agent team. In 2019 three of the Project works conceived in the Talent programme were taken up again and completed: a new Performance Appraisal system was put in place, the first experiments in Smart Working commenced using a training package constructed *ad hoc* in order to support the project and the Onboarding project was presented.

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

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

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

9. ENVIROMENT AND QUALITY

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

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

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

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

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

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

	Management - Energy Service Companies (ESCOs), SA 8000 - Social Accountability Management System certfications. The Certification was also obtained for companies under Regulation (EU) no. 517/2014 and Presidential Decree no. 146/2018 (Certification for the operation of installation, repair, maintenance and upgrading of air conditioning systems). Finally, the first SOA certification was drawn up by SOA Group.
Sicura S.p.A. and its subsidiaries	Maintenance of the certification according to the UNI EN ISO 9001:2015 standard (Quality Management System), assessed in accordance with ACCREDIA Technical Regulation RT-05 for: Design, installation and maintenance of fire-fighting equipment, fire barriers and anti-intrusion systems, anti-shoplifting devices, CCTV circuits and access control systems; Sale of products and services for safety at work; Provision of environmental, safety and business organisation consulting and training services; Design, construction and marketing of accident prevention equipment and safety systems for industrial machinery; Provision of labour medicine and preventive medicine services. IAF sector: 28,29A, 35, 37. Maintenance of the qualifying company certification under Regulation (EC) 842/2006, Presidential Decree 43/2012 and Accredia Technical Regulations RT-29 for monitoring leakages and recovering fluorinated greenhouse gases, installing, servicing and repairing fixed fire-fighting plants and extinguishers containing fluorinated greenhouse gases.
H2H Facility Solutions S.p.A.	Maintenance of the qualifying company certification under Regulation (EC) 842/2006, Presidential Decree 43/2012 and Accredia Technical Regulations RT-29 for installation, leakage control, servicing and repair services for fixed refrigeration and air-conditioning equipment and heat pumps containing certain fluorinated greenhouse gases. Maintenance of the certification according to the UNI EN ISO 9001:2015 (Quality Management System) standard. Maintenance of the certification according to UNI EN ISO 14001:201 (Environmental Management System) standard.
H2H Cleaning S.r.l.	Maintenance of the certification according to the UNI EN ISO 9001:2015 (Quality Management System) standard. Maintenance of the certification according to the UNI EN ISO 14001:2015 (Environmental Management System) standard. Maintenance of the certification according to the UNI ISO 45001:2018 (Occupational Safety Management System) standard. Maintenance of the certification according to the SA800:2014 (Social Accountability Management System) standard.
Telepost S.p.A.	Maintenance of the certification according to the UNI EN ISO 9001:2015 (Quality Management System) standard. Maintenance of the certification according to the UNI EN ISO 14001:2015 (Environmental Management System) standard.

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

10. RELATED PARTIES TRANSACTIONS

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

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

11. CORPORATE GOVERNANCE

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

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

12. RESEARCH AND DEVELOPMENT

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

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

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

thousand, while capital grants were recognized for R&D costs stated among intangible assets as a direct reduction in the historical cost of the assets, for € 266 thousand.

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

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

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

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

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

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

15. SECONDARY OFFICES

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

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

16. TAX CONSOLIDATION AGREEMENT

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

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

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

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

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

17. SUBSEQUENT EVENTS

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

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

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

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

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

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

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

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

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

18. OUTLOOK

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

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

The profit margins of our activities in the domestic market, already put to the test by price pressure normally arising when contracts are renewed in the portfolio, are expected to remain substantially stable in 2020, supported by further and ongoing actions aimed at improving efficiency of variable costs and reducing fixed costs. On this front too, nevertheless, it is important to note that the present health emergency (COVID-19) may have adverse short-term effects which cannot be estimated exactly at present, as the emergency is still in progress. The management will make all possible efforts to counter these effects by means of both our usual efficiency measures and recourse to all the instruments, such as incentives and social shock absorber measures, that the Italian Government is providing and will continue to provide to businesses.

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

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

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

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

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

Zola Predosa, 24 March 2020

The Chairman and CEO

Giuliano Di Bernardo

2019 - August

rekeep

minds that work

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