# INTERIM REPORT ON OPERATIONS

AT 30 SEPTEMBER 2020




rekeep

minds that work

# GENERAL INFORMATION

## REGISTERED OFFICE

Via U. Poli, 4
Zola Predosa (Bo)

## BOARD OF DIRECTORS

Appointed by the Shareholders' Meeting held on 24 April 2020

**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 held on 24 April 2020

**CHAIRMAN**

Germano Camellini

**STATUTORY AUDITORS**
Marco Benni
Giacomo Ramenghi

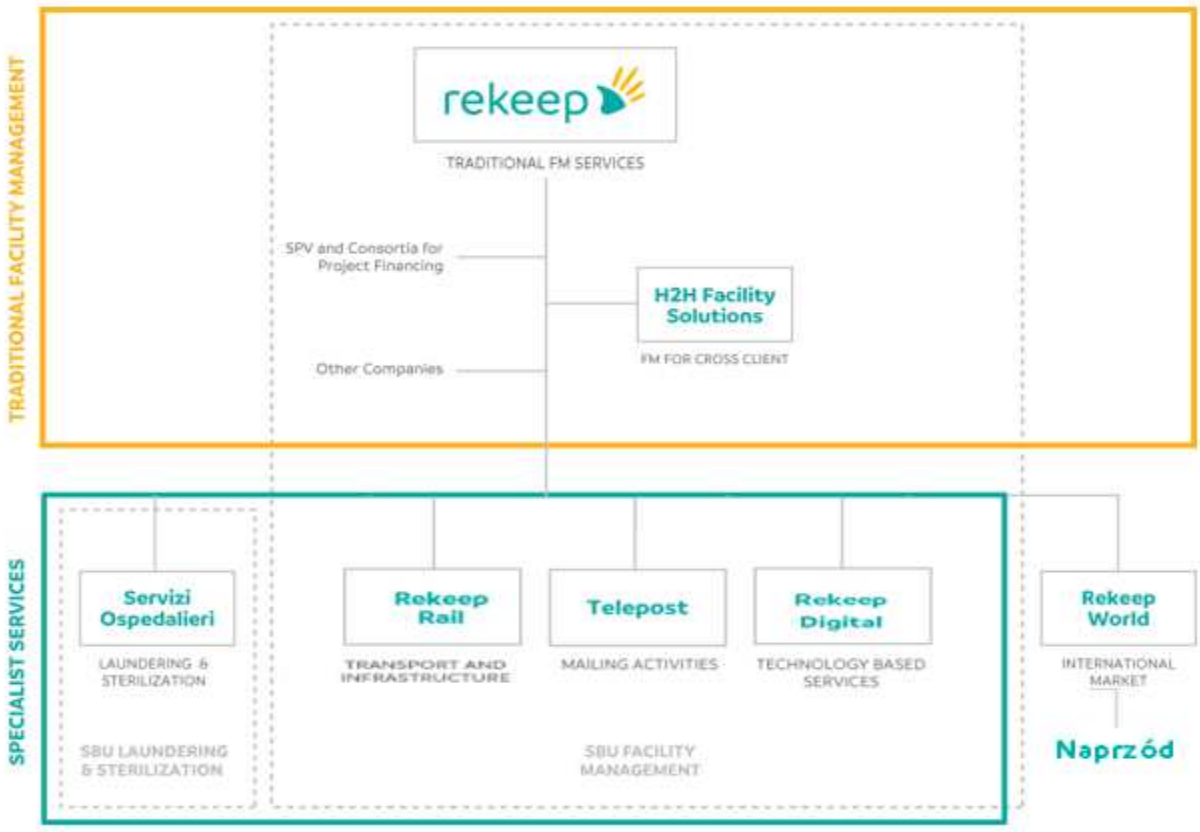
**ALTERNATE AUDITORS**
Michele Colliva
Antonella Musiani

## INDEPENDENT AUDITORS

EY S.p.A.

# PREAMBLE

At 30 September 2020 the Group controlled by Rekeep S.p.A. was made up as follows:




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 is led by a single operating holding company that combines so-called "traditional" facility management production resources with those related to supporting the whole Group's business. Around the central part of the holding, already in the previous financial years a diversification strategy of the activities was pursued, also through a series of company acquisitions, by placing 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 sterilisation at healthcare facilities and high technology "business to business" (B2B) 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

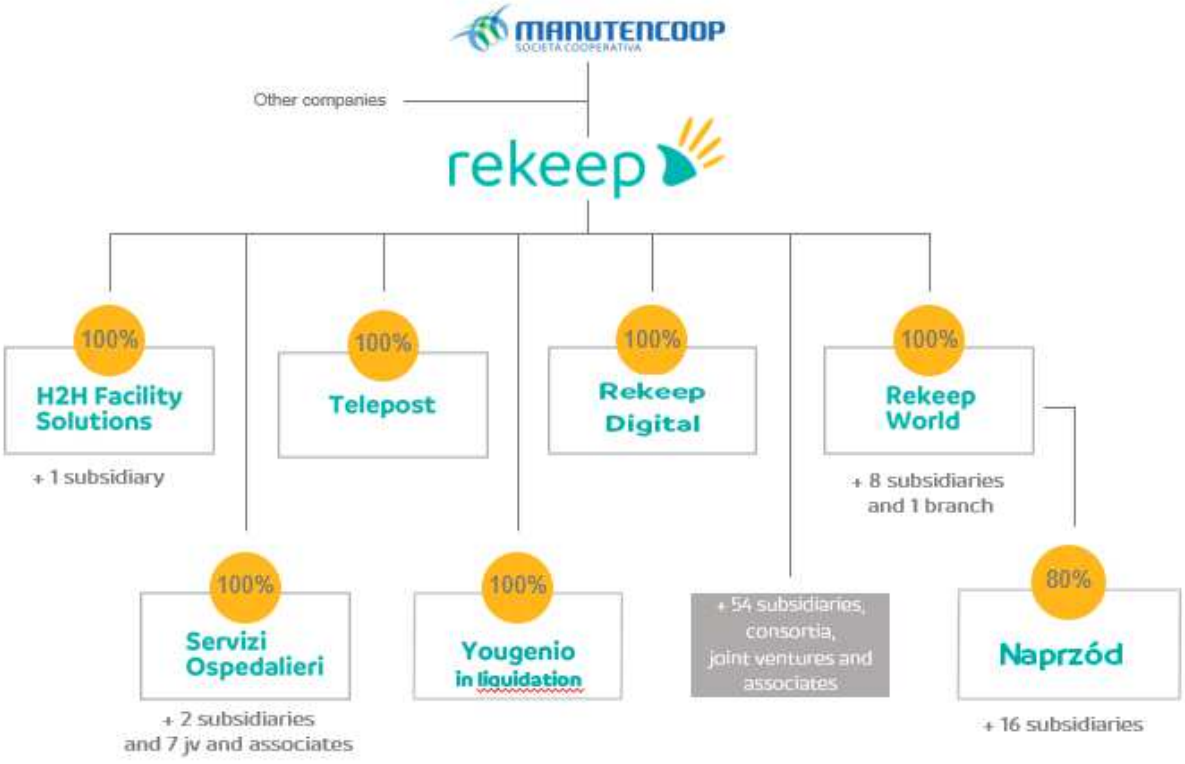
the Polish company Naprzód S.A., the parent company controlling the group with the same name, served to expand and strengthen the market position in the field of facility management in the healthcare sector.

## Shareholding structure

Ordinary shares issued by Rekeep S.p.A. and fully paid up at 30 September 2020 amounted to 109,149,600, with a par value of € 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 controlled by Manutencoop Società Cooperativa, at the date of approval of this Interim Report on Operations was the following:



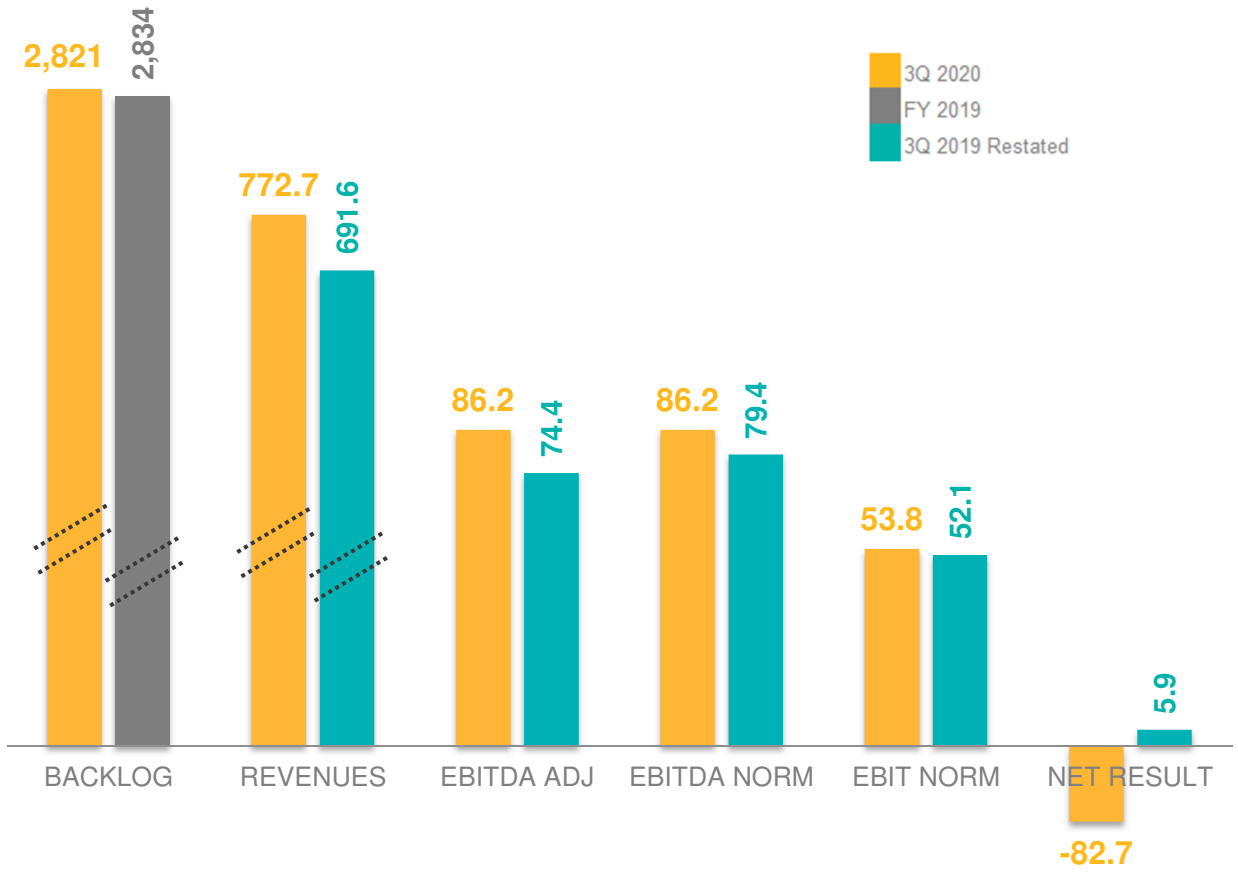
# NON-GAAP FINANCIAL MEASURES

The Rekeep Group's management monitors and assesses the consolidated business performance, 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 that have not yet accrued and are connected with the residual term of the orders that the Group holds in its portfolio. |
| **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 the balance of "Trade receivables and advances to suppliers" 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 invoices 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) Dividends and income (loss) from sale of investments; iv) Income (charges) from investments accounted for under the equity method; v) Profit / (loss) on exchange rate. The Statement of Profit or Loss for the year shows EBIT as "Operating Income". |
| **EBITDA** | EBITDA represents the Operating Income before "Accrual (reversal) of provisions for risks and charges" 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 to those applied by others. |
| **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** | The Normalized measures represent Adjusted measures that also exclude the contribution to the consolidated results of the start-up activities relating to the subsidiary Yougenio S.r.l. and, until the 2019 financial year, to the sub-group controlled by Rekeep World S.r.l.. |
| **Gross Debt** | Gross Debt is defined as the sum of payables on account of capital relating to: i) Senior Secured Notes; ii) Bank debts; iii) Current account overdrafts, advances and hot money; iv) Obligations arising from assignments of trade receivables with recourse; v) Finance lease debt. |
| **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 reporting periods. |
| **Net Cash** | Net Cash is defined as the balance of the "Cash and cash equivalents" net of: i) Current account overdrafts, advances and hot money; ii) Obligations arising from assignments of trade receivables with recourse. |
| **Net Debt** | Net Debt is defined as the Gross Debt, net of the balance of Cash and cash equivalents and short-term 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 balance 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 Adjusted 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. |
| **Restated** | On 13 February 2020 a binding agreement was signed for the sale of the total share capital of subsidiary Sicura S.p.A.. According to IFRS5, at the reporting date of the Consolidated Financial Statements at 31 December 2019, the value of assets relating to the sub-group controlled by Sicura S.p.A. and the associated liabilities was reclassified under "Assets held for sale" and "Liabilities associated with assets held for sale". Again in accordance with the same accounting standard, the transaction was reported as "Discontinued operation" in the Interim Condensed Consolidated Financial Statements at 30 September 2020 and results of operations for the period until the date of sale were stated among "Profit (loss) from discontinued operations". Likewise, the respective comparative results of operations were restated and reclassified to the same item of the income statement. |



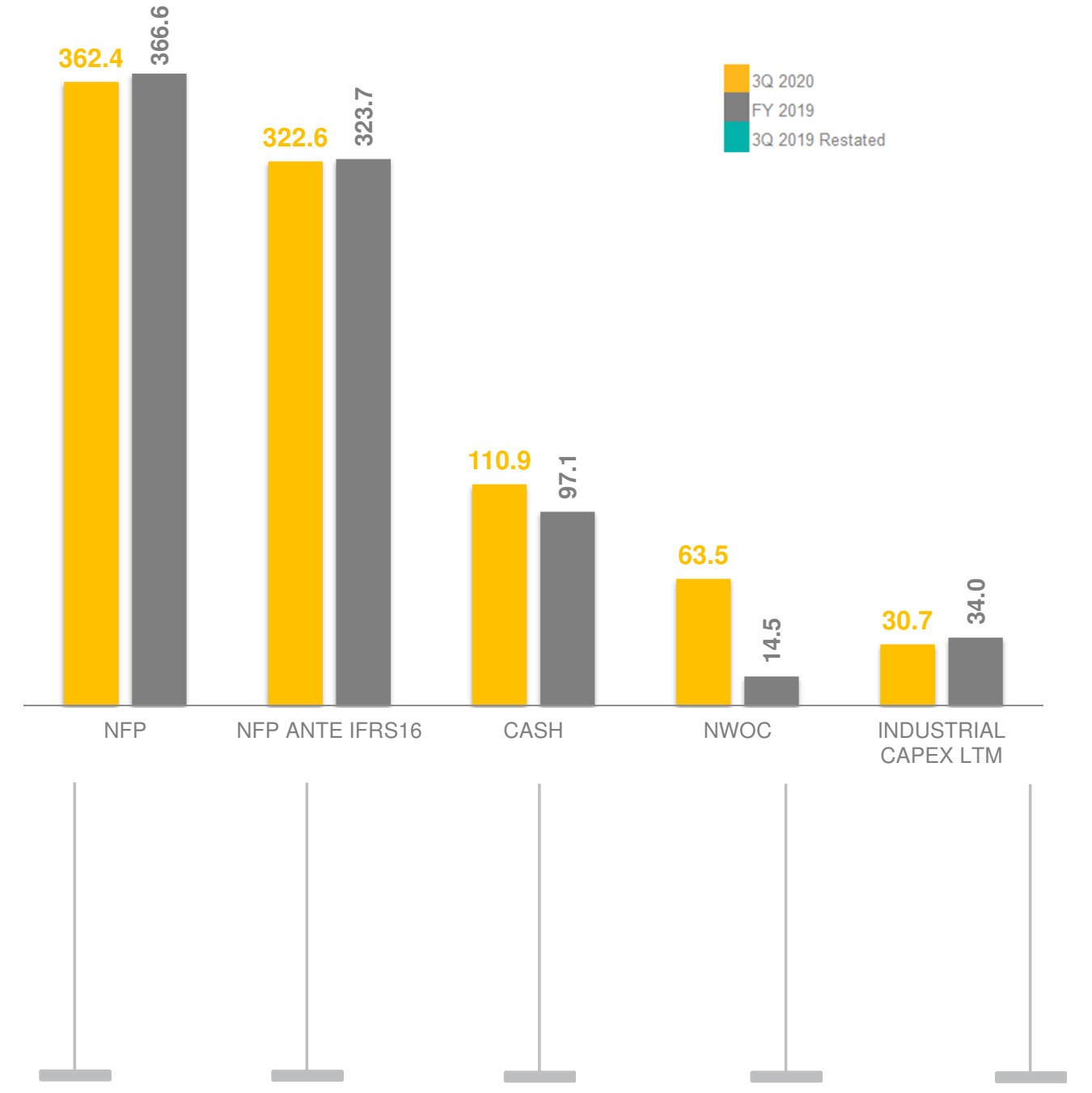

**BACKLOG/ REVENUES LTM**
**2.7x**
vs 2.9x 31/12/2019

**REVENUES**
**+ 11.8 %**
vs 30/09/2019 Restated

**EBITDA/ REVENUES**
**10.9%**
vs 10.3% 30/09/2019 Restated

**EBITDA NORM/ REVENUES**
**11.1%**
vs 11.7% 30/09/2019 Restated

**EBIT NORM/ REVENUES**
**7.0%**
vs 7.5% 30/09/2019 Restated




**NFP / EBITDA NORM LTM**
**3.2x**

**CASH**
**110.9 mln**
vs 97.1 mln 31/12/2019

**NET CASH**
**89.6 mln**
vs 66.5 mln 31/12/2019

**NWOC / REVENUES LTM**
**6.1%**
vs 1.5% 31/12/2019

# INTERIM REPORT ON OPERATIONS

## PREAMBLE ON THE REPORTING OF CONSOLIDATED RESULTS

As early as from 2016, the Rekeep Group embarked on a significant path to internationalization through the sub-holding company Rekeep World S.r.l. as a vehicle dedicated to business development in international markets. These new projects were regarded as still being in the start-up phase and gave a negative contribution to the consolidated results for the year until the 2019 financial year. However, the acquisition of the Polish group Naprzód on 30 October 2019 was a turning point in international development, with an increase in both consolidated revenue volumes and profit margins in terms of EBITDA and EBIT. As from 2020, therefore, the International Markets are regarded as forming an integral part of the scope of core business operations and the respective results of operations are no longer normalized for the purposes of management's analysis of consolidated results.

Again in 2016 diversification was further boosted by establishing Yougenio S.r.l., which is wholly owned by Rekeep S.p.A. and provides services to private consumers through an e-commerce platform. This event led the Group to enter the B2C services market within the scope of a plan that saw a period of start-up of operations until the 2019 financial year, at the end of which the management assessed the investment as non-strategic in this market segment, which did not show the expected synergies with the more traditional facility management activities carried out by the Group. Despite the interesting potential of the target market, particularly in the fast-growing sector of small accommodation facilities, the rise in volumes needed to reach breakeven would have required a further step to increase fixed costs and investments in order to maintain a high level of service delivery as volumes grew. In addition, the Covid-19 health emergency and the consequent lockdown have substantially reduced the tourism market to zero and consequently have minimized the demand from the segment of small accommodation facilities, as well as any orders from B2C, leading to a concurrent dramatic reduction in Yougenio's business volumes. Therefore, during May 2020, the company's online services were suspended, appropriate considerations were made about the time required in order for the target markets to recover and any possible option was assessed for the Group's exit from the B2C and small accommodation facilities market. O2 22 September 2020 the company was put into liquidation with the aim of completing this process in the shortest possible time. As a result, the company was consolidated in the Condensed Consolidated Financial Statements as at 30 September 2020 according to the equity method and therefore the Group’s operating results do not include the results of Yougenio S.r.l for the period.

Finally, the 2020 financial year started with the sale of Sicura S.p.A. and its subsidiaries, which gave rise to a capital gain of € 3.1 million (net of additional transaction costs) in the Consolidated Financial Statements. Furthermore, the results of these operations were excluded from the scope of “Continuing operations” and classified under the same item of the Statement of Profit/Loss for the period in the Interim Condensed Consolidated Financial Statements at 30 September 2020, as well as at 30 September 2019.

## MAIN EVENTS OF THE FIRST 9 MONTHS OF 2020

### *COVID-19 Health Emergency*

Work continued during the first half of the first quarter of 2020 on the operations within the SBUs in which the Group operates. As from the second half of February, the international scenario was strongly characterized by the health emergency deriving from the spread of the Coronavirus (COVID-19) epidemic, which had first appeared in China in January and subsequently spread to Europe and Italy, the country of the Company's head office and one of those most affected by COVID-19 impact. This health emergency, and the consequent need to contain the spread of the virus as much as possible, led the Italian Government, as well as many other governments around the world, to adopt urgent legislative measures that entailed a substantial lockdown of the entire economy of the country from the second period of ten days of March and until the end of April, except for essential activities and services, which include the operations carried out by the Group.

Rekeep and the companies it controls, in compliance with the aforementioned legislative measures taken by the Italian Government and the instructions given by the Italian Ministry of Health and the Regional Governments involved, have taken preventive measures (such as, for example, the massive adoption of remote working practices for substantially all of the clerical staff members) 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 continue to monitor the situation on an ongoing basis 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.

About 60% of the Group's activities consist of the provision of essential healthcare services, to which are added other customers belonging to sectors that are regarded as being essential, such as large-scale retail trade and telecommunications, and this has led to continuing work even in the context of the emergency.

Both the parent company Rekeep S.p.A. and its subsidiaries Servizi Ospedalieri and Medical Device have received requests for extra services and supplies such as extraordinary sanitization and cleaning, fitting out hospital wards, other non-routine maintenance work, additional bed linen and clothing and other devices and personal protective equipment (PPE) for healthcare personnel. Therefore, the Group companies involved have continued 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 have entailed the additional cost of purchasing medical devices and specialist products against higher business volumes relating to customers in the Healthcare sector.

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, in consideration of which the management has adopted all the possible solutions to limit the related costs, including through use of the incentives and social shock absorber measures provided by the Government.

When seen as a whole, the results of operations for the first 9 months of 2020, compared with the same period of 2019 do not seem to have been adversely affected by the effects of the lockdown and, on the contrary, all the main financial KPIs show an increase.

The growth in Revenues (+€ 81.3 million) and EBITDA (+ € 12.7 million) for the first 9 months of 2020 compared to the first 9 months of the previous year, was mainly due, in 2020, to the consolidation of the results achieved by the Naprzód sub-group, a leading operator in the healthcare market for soft facility management services in Poland, which had been acquired for 80% of the capital by subsidiary Rekeep World on 30 October 2019 and which contributed for € 82.7 million to the Revenues for the nine months ended 30 September 2020 and for € 6.3 million to EBIDTA for the period (it had not been consolidated in the nine months ended 30 September 2019).

### *Disposal of subsidiaries for the period*

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 paid to AED S.r.l.. On the same date, Rekeep S.p.A. acquired 5.96% of STARFIRE S.A., a newco with registered office in Luxembourg, which directly controls AED S.r.l, with the aim to maintain an industrial partnership with the group controlled by Sicura S.p.A..

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

According 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 to "Assets held for sale" and "Liabilities directly associated to assets held for sale". The sale gave rise to a capital gain of € 3.1 million (net of additional transaction costs and price adjustments upon closing required as per contract) in the Consolidated Financial Statement, which was stated as "Profit (loss) from discontinued operations" according to IFRS5. Furthermore, the results of these operations were excluded from the scope of "Continuing operations" and classified under the same item of the Statement of Profit/Loss for the period in the Interim Condensed Consolidated Financial Statements at 30 September 2020, as well as at 30 September 2019.

### *Company acquisitions for the period*

On 11 August 2020 there was the completion of the acquisition of ISS HS Sp. Zoo from the Danish international ISS Global A/S group through the Polish subsidiary Naprzód for a consideration of PLN 705 thousand. This transaction is part of a medium-term strategy designed for a general consolidation of the group's catering activities in the hospital segment in Poland. It will enable substantial cost synergies to be obtained through structural rationalisation and will also help the Group to gain market shares in areas where currently it is not present, with the possibility of further expansion. ISS HS operates in the hospital catering services sector, has about 160 staff and recorded revenues of € 4.2 million in 2019. Subsequently the company changed its name to Naprzód Catering.

### *Buy-back transactions of the Notes issued in 2017*

In April and May 2020 Rekeep S.p.A. formalised the purchase of portions of its bond issue on the open market for a nominal total of € 15.8 million. The book value of the remaining debt for principal of the Senior Secured Notes was then equal to € 333.9

million at the date of approval of the Interim Report on Operations. The Notes that have been repurchased have not been cancelled and are still held in the portfolio at present: for accounting purposes, they have been stated as a direct reduction in the remaining nominal debt of the related financial liability.

### *Business development*

In the first 9 months of 2020 the Group gained orders for an overall long-term amount of € 514 million, of which € 258 million relating to extensions and renewals of contracts already included in its sales portfolio and € 256 million relating to the development of a new portfolio. The value of contracts acquired in International Markets was equal to about 33% of the total orders gained during the period (€ 123 million in Poland, € 40 million in France and € 7 million in Turkey).

New contracts in the Healthcare sector amounted to € 292 million in the first 9 months of the year (equal to about 57% of total orders gained) against orders gained for € 113 million in the Public sector (22% of the total) and € 109 million in the Private sector (21% of the total). In terms of Strategic Business Unit ("SBU"), Facility Management obtained contracts of € 439 million (which also include International Markets), while Laundering&Sterilization obtained contracts of € 75 million.

In the Healthcare market the Group gained orders for energy services through Intercenter lots at Health Care Units (ASL) in Emilia Romagna. Furthermore, the 20-year contract was signed for the award of service concessions concerning the integrated management of services with interventions of redevelopment and energy efficiency improvement of properties available to Fondazione Istituto G. Giglio in Cefalù. Among other significant acquisitions for the year note new orders and renewals of existing contracts in the portfolio in Poland for cleaning, catering and medical transportation services at local hospital facilities (totalling € 124 million), which are the key target market of the newly-acquired Naprzód group.

The subsidiary Servizi Ospedalieri S.p.A., moreover, gained laundering service contracts at hospital facilities for € 35 million, in addition to contracts for Sterilization services and supply of surgical kits for € 40 million.

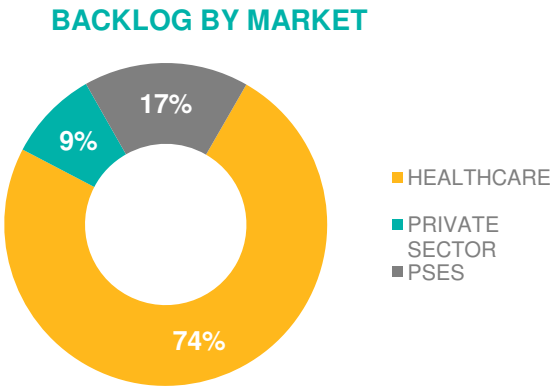
Furthermore, in the Public sector, note new orders for cleaning services on board trains of SNCF (the main customer of subsidiary Rekeep Transport S.a.S.) in France, in the Normandy – Paris St Lazare area, for a term of six years. Major energy and heat management service contracts were gained with Ater Roma and cleaning contracts were renewed with Trenitalia S.p.A. on the domestic market.

Finally, note the renewal of maintenance contracts at Amazon hubs in Italy, as well as the renewal of Global service contracts at Telecom properties in the Private sector. Soft facility management contracts were also gained at Michelin plants.

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:

| | 30 September 2020 | 30 June 2020 | 31 December 2019 |
|---|---|---|---|
| **Backlog** | 2,821 | 2,867 | 2,834 |

At 30 September 2020 the **Backlog** came to € 2,821 million, remaining stable compared to the value posted at the end of the second quarter and of 2019. Backlog/Revenues LTM ratio decreased down to 2.7x (2.9x at 31 December 2019).



# 1. SUMMARY OF RESULTS OF THE THIRD QUARTER OF 2020

| | For the Quarter ended 30 September | | | For the 9 months ended 30 September | | |
|---|---|---|---|---|---|---|
| | 2020 | 2019 restated | % | 2020 | 2019 restated | % |
| **Revenues** | 263,186 | 220,522 | +19.3% | 772,864 | 691,565 | +11.8% |
| **Revenues - International Markets** | 35,844 | 2,483 | | 99,406 | 6,605 | |
| **Adjusted EBITDA (*)** | 29,247 | 23,185 | +26.1% | 86,158 | 74,420 | +15.8% |
| **Adjusted EBITDA % on Revenues** | 11.1% | 10.5% | | 11.1% | 10.8% | |
| **Normalized EBITDA (*)** | 29,247 | 24,711 | +18.4% | 86,158 | 79,434 | +8.5% |
| **Normalized EBITDA % on Normalized Revenues** | 11.1% | 11.2% | | 11.1% | 11.7% | |
| **Adjusted EBIT (*)** | 19,667 | 13,784 | +42.7% | 53,758 | 45,862 | +17.2% |
| **Adjusted EBIT % on Revenues** | 7.5% | 6.3% | | 7.0% | 6.6% | |
| **Consolidated net result** | (2,132) | 2,088 | | (82,728) | 5,863 | |

In the third quarter of 2020 the Group recorded ***Revenues*** of € 263.2 million, against € 220.5 million compared to the same period of the previous year, with a net positive change of € 42.7 million (+19.3%). The International Markets, led by the Polish Naprzód sub-group, which was acquired during the fourth quarter of 2019, contributed revenues of € 35.8 million for the quarter (of which an amount of € 28.4 million contributed by Naprzód). Even after excluding the revenues contributed by Naprzód, consolidated volumes showed an increase of € 14.2 million during the quarter, which was due:

- partly to an increase in revenues contributed by other international development projects (+ € 4.9 million in the quarter), in particular in France and Saudi Arabia;
- partly to a recovery in domestic facility management volumes (+ € 3.2 million in the quarter), determined by the combination of several effects of opposite sign: the adverse effects of a long wave of shutdowns of some operations in the private and public sectors, as a result of the lockdown and those linked to the completion, during the first quarter, involving some major contracts (mainly in the public sector) in terms of volumes, were more than offset by the continuation of non-routine work which was in turn connected to customer needs arising from the effects of the pandemic and the start of operations on new contracts during the period;
- finally, partly to an increase in operations which was determined, again as a consequence of the new needs arising from the Covid-19 emergency, in the Laundering-Sterilization sector (+ € 6.1 million for the quarter), with specific regard to the supply of PPE to customers in the Healthcare and Private sectors.

In terms of market performance, we are witnessing to a further growth in the Healthcare sector (+€ 11.0 million, even net of the significant contribution given by the Naprzód group, which accounted for € 28.4 million in the third quarter of 2020, precisely because of the non-routine work referred to above, which more than offset the reduction that was however recorded, during the period, in some routine activities, even in relation to the Healthcare customer (sterilization of surgical instruments due to having stopped routine surgery, as well as a reduction in days of regular hospitalization for linen rental and industrial laundering operations). The private market also showed a significant leap forward in the quarter (+ € 8.4 million), which was driven by the sales volumes recorded by Medical Device, which operates in the PPE segment. On the other hand, a decline in the Public sector (- € 5.1 million) was recorded in third quarter too, which was mainly due to the loss of revenues on some significant facility management contracts, as mentioned above, which were only partially offset by the start of operations on new orders in the same market.

After breaking down the above information by sector, note the following performances:

- the Facility Management SBU posted revenues of € 224.3 million during the quarter against € 187.8 million in the third quarter of 2019 (+ € 36.5 million equal to +19.3%);
- the Laundering&Sterilization SBU confirmed the excellent performance during the second quarter of 2020 too in relation to the revenues, which showed an increase of € 6.1 million that was entirely linked to higher business volumes and supplies requested by customers in the healthcare and private markets, which more than offset the postponement of the scheduled non-routine maintenance work and a reduction in the volumes for surgical instrument sterilisation.

The **Adjusted EBITDA** for the third quarter of 2020 came to € 29.2 million, showing an increase of € 6.1 million compared to the same quarter of the previous year when it was equal to € 21.2 million. The increase was attributable:

- for € 2.3 million to Naprzód's EBITDA contribution;
- for € 1.7 million to the Laundering&Sterilization SBU;
- for the remaining amount to an increase in EBITDA reported by the Facility Management SBU during the quarter, which mainly arose from lower production costs and overheads.

This gave rise to an increase in average profit margins (**Adjusted EBITDA/Revenues**), which came to 11.1% for the quarter ended 30 September 2020 against 10.5% for the same period of the previous year.

**Adjusted EBIT** for the quarter ended 30 September 2020 amounted to € 19.7 million (7.5% of related Revenues) against € 13.8 million for the same period of the previous year (6.3% of related Revenues), showing an increase of € 5.9 million (+ 42.7%). The trend was mainly affected by the performance already reported for Adjusted EBITDA (+ € 6.1 million).

Finally, the **Consolidated net result** for the quarter posted a loss of € 2.1 million against a profit of € 2.1 million for the quarter ended 30 September 2019, in particular as a result of a non-recurring write-down of € 2.8 million of subsidiary Yougenio; the latter company was put into liquidation in September 2020, in order to take account of the estimated final losses assumed to

(*)Adjusted and Normalized values in the income statement are described in the paragraph on "Non-recurring events and transactions" below. No normalised values have been applied for the nine months ended 30 September 2020.

complete the winding-up, to which must be added higher financial costs (+€1.8 million) and higher taxes (+€1.7 million), again compared to the same quarter of 2019.

| | 30 September 2020 | 30 June 2020 | 31 December 2019 |
|---|---|---|---|
| **Net Working Operating Capital (NWOC)** | 63,502 | 41,848 | 14,532 |
| **Net Financial Position (NFP)** | (362,398) | (332,354) | (366,627) |

From an equity and financial point of view, the data relating to the Net Working Operating Capital (**NWOC**) at 30 September 2020 recorded a normal increase compared to the value posted during the previous quarter (+ € 21.7 million), which was more significant compared to the value posted at the end of the previous year (+ € 49.0 million). Specifically, the third quarter of 2020 saw the recognition of higher trade receivables for € 15.9 million and lower trade payables for € 5.2 million, against a Net Financial Position (**NFP**) that reported a negative change equal to € 30.0 million compared to the end of the previous quarter. During the 2020 financial year trade receivables were assigned to factoring companies without recourse for a total of € 197.9 million (of which € 76.0 million during the third quarter) and VAT receivables were assigned without recourse for € 28.8 million (of which € 6.5 million during the third quarter).

At 30 September 2020 DSO was 163 days, substantially unchanged compared to both 31 December 2019 (when it was equal to 161 days) and 30 September 2019 (when it was equal to 163 days). The performance of the DPO, which came to 220 days at 30 September 2020, also showed a reduction compared to the 225 days at 30 September 2019 and 235 days at 31 December 2019. The performance of amounts collected from customers and payments to suppliers gave rise to a total absorption of cash flows for € 21.1 million during the quarter.

The Net Financial Position (**NFP**) showed an increase of € 30.0 million during the quarter. From the cash flows generated from operating activities during the quarter (€ 6.0 million) must be deducted the cash flow absorbed by the change in NWOC (€ 21.1 million) and the uses of resources for net industrial investments (€ 7.8 million) ), as well as the uses of provisions for future risks and charges and the provision for Employee Termination Indemnity (TFR) for the quarter (€ 1.3 million). Moreover, cash outflows of € 4.9 million were reported as a result of changes in other operating assets and liabilities that were recorded during the quarter, mainly due to the normal seasonal trend in receivables from and payables to employees which decreased by € 2.7 million in the quarter.

# 2. THE REKEEP GROUP'S CONSOLIDATED PERFORMANCE OF OPERATIONS AND FINANCIAL POSITION AT 30 SEPTEMBER 2020

## 2.1. Consolidated results of operations in the first 9 months of 2020

Below are reported the main income figures relating to the first 9 months of 2020, compared to the figures of the corresponding period in 2019.

As already noted in the preamble, the investment in Sicura S.p.A. was sold on 28 February 2020. According to IFRS5, both the capital gain that arose from the transaction and the results of operations of the company and its subsidiaries until the date of disposal have been stated as "Profit (loss) from discontinued operations". The results of operations for 2019 have been restated as well.

| *(in thousands of Euro)* | For the 9 months ended 30 September | | For the quarter ended 30 September | |
|---|---|---|---|---|
| | 2020 | 2019 restated | 2020 | 2019 restated |
| Revenues | 772,864 | 691,565 | 263,186 | 220,522 |
| Costs of production | (688,900) | (620,350) | (234,454) | (199,463) |
| **EBITDA** | **83,964** | **71,215** | **28,732** | **21,059** |
| **EBITDA %** | **10.9%** | **10.3%** | **10.9%** | **9.5%** |
| Amortization, depreciation, write-downs and write-backs of assets | (29,912) | (27,122) | (9,142) | (8,700) |
| Accrual of provisions for risks and charges | (87,432) | (1,436) | (876) | (701) |
| **Operating Income (EBIT)** | **(33,380)** | **42,657** | **18,714** | **11.658** |
| **EBIT %** | **N.A.** | **6.2%** | **7.1%** | **5.3%** |
| Share of net profit of associates | (6,689) | 338 | (6,546) | (370) |
| Net financial charges | (34,835) | (30,198) | (12,683) | (10,538) |
| **Profit before taxes (EBT)** | **(74,904)** | **12,797** | **(515)** | **750** |
| **EBT %** | **N.A.** | **1.9%** | **N.A.** | **0.3%** |
| Income taxes | (9,994) | (8,281) | (1,247) | 970 |
| **Profit (loss) from continuing operations** | **(84,898)** | **4,516** | **(1,762)** | **1,720** |
| Profit (loss) from discontinued operations | 2,170 | 1,347 | (370) | 368 |
| **CONSOLIDATED NET PROFIT (LOSS)** | **(82,728)** | **5,863** | **(2,132)** | **2,088** |
| **CONSOLIDATED NET PROFIT (LOSS) %** | **N.A.** | **0.8%** | **N.A.** | **0.9%** |
| Minority interests | (1,414) | (151) | (789) | (107) |
| **NET RESULT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT** | **(84,142)** | **5,712** | **(2,921)** | **1,981** |

| *(in thousands of Euro)* | For the 9 months ended 30 September | | For the quarter ended 30 September | |
|---|---|---|---|---|
| | 2020 | 2019 restated | 2020 | 2019 restated |
| **NET RESULT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT %** | **N.A.** | **0.8%** | **N.A.** | **0.9%** |

## NON-RECURRING EVENTS AND TRANSACTIONS

During the first 9 months of 2020, the Rekeep Group recognised, in the consolidated Statement of Profit/Loss for the period, some "non-recurring" items of results of operations, which impacted on the normal dynamics in 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, performance of operations and cash flows.

The following non-recurring items are recorded in the Consolidated Statement of Profit/Loss for the period:

| *(in thousands of Euro)* | For the 9 months ended 30 September | |
|---|---|---|
| | 2020 | 2019 restated |
| Legal advice fees concerning pending administrative disputes | 257 | 488 |
| Costs from reorganisation of company units | 167 | 1,502 |
| M&A and non-recurring transactions of Group companies | 574 | 665 |
| Transactions with members of the Temporary Business Grouping | 0 | 550 |
| Costs associated with Covid-19 emergency | 1,096 | 0 |
| Other non-recurring costs | 100 | 0 |
| **NON-RECURRING EXPENSES (INCOME) IMPACTING ON EBITDA** | **2,194** | **3,205** |
| Provision for the Competition Authority's fine for the FM4 Tender | 82,194 | 0 |
| Non-recurring provisions for risks on energy contracts | 2,750 | 0 |
| **NON-RECURRING CHARGES (INCOME) IMPACTING ON EBITDA AND EBIT** | **87,138** | **3,205** |

An amount of non-recurring costs for the period relates to costs for the actions taken by the Group companies in favour of their employees, mostly employed at healthcare facilities strongly impacted by the Covid-19 virus health emergency, which occurred above all during the first half of the year. Additional costs were also incurred in 2020 for the acquisition of the Polish group controlled by Naprzód S.A., which took place on 30 October 2019, as were costs for scouting actions on potential M&A transactions. Furthermore, costs were accounted for in relation to the tax bills on companies acquired in previous years, which

had not been previously recognised as they were not yet known. Finally, costs relating to the management of business relationships with members of Temporary Business Groupings were recognised during 2019, which involved sums on account of reimbursement on disputes in previous years.

As regards non-recurring costs impacting on EBIT, which were allocated in the first 9 months of 2020, probable future additional costs were recognised for the cogeneration business conducted at two private industrial sites, mainly relating to previous years.

Finally, note that in 2020 the disputes pending with the Competition Authority and Consip S.p.A. continued (for which reference should be made to the paragraph on the "Update on Legal Proceedings" below) against which a provision of € 82.2 million was set aside at 30 September 2020 against the risk of future outlays in relation to the fine imposed by the Competition Authority on the FM4 Tender.

Consolidated Adjusted EBITDA and EBIT are thus represented as follows:

| *(in thousands of Euro)* | For the 9 months ended 30 September | |
|---|---|---|
| | 2020 | 2019 restated |
| **EBITDA** | **83,964** | **71,215** |
| Non-recurring expenses (income) impacting on EBITDA | 2,194 | 3,205 |
| **Adjusted EBITDA** | **86,158** | **74,420** |
| **Adjusted EBITDA % on Revenues** | **11.1%** | **10.8%** |
| | | |
| **EBIT** | **(33,380)** | **42,657** |
| Non-recurring expenses (income) impacting on EBITDA and EBIT | 87,138 | 3,205 |
| **Adjusted EBIT** | **53,758** | **45,862** |
| **Adjusted EBIT % on Revenues** | **7.0%** | **6.6%** |

As mentioned in the preamble, until 2019, business initiatives in International Markets were still considered to be in the start-up phase and their negative contribution to the results of operations was normalized by the management staff when measuring consolidated results. As from the 2020 financial year, with the acquisition of the Polish Naprzód Group on 30 October 2019 and the related significant increase in both revenues and profit margins in terms of EBITDA and EBIT, the International Markets are now regarded as forming an integral part of the scope of core business operations.

Diversification was further boosted in past years by establishing Yougenio S.r.l., which provides services to private consumers through an e-commerce platform. This company, which was also considered in a start-up phase until 2019, has not, however, guaranteed an increase in volumes and profit margins sufficient to reach breakeven and, furthermore, its business volumes substantially reduced to zero during the lockdown period as a result of the Covid-19 emergency in Spring 2020. In mainly

targeting the offer to the small accommodation facilities in the main Italian cities, the management found itself unable to predict the time required in order for the reference market to recover. For this reason, as from 1 May 2020, the company's online services were suspended and some activities were started which were aimed at protecting the corporate assets and considering alternative opportunities, until formally putting the company into liquidation on 22 September 2020. It is believed that the company winding-up process may be completed in a relatively short period of time: therefore, the company was consolidated in the Condensed Consolidated Financial Statements at 30 September 2020 according to the equity method and, for this reason, the Group's operating results do not include the results of Yougenio S.r.l. for the period.

Therefore, consolidated Normalised EBITDA and EBIT, which exclude the contribution given by start-ups and Yougenio in 2019, are shown below:

| *(in thousands of Euro)* | For the 9 months ended 30 September | |
|---|---|---|
| | 2020 | 2019 restated |
| **ADJUSTED EBITDA** | **86,158** | **74,420** |
| EBITDA related to start-up activities | 0 | 5,014 |
| **NORMALIZED EBITDA** | **86,158** | **79,434** |
| **NORMALIZED EBITDA % on Normalized Revenues** | **11.1%** | **11.7%** |
| | | |
| **ADJUSTED EBIT** | **53,758** | **45,862** |
| EBIT related to start-up activities | 0 | 6,226 |
| **NORMALIZED EBIT** | **53,758** | **52,088** |
| **NORMALIZED EBIT % on Normalized Revenues** | **7.0%** | **7.6%** |

## REVENUES

During the period ended 30 September 2020 the Group recorded ***Revenues*** of € 772.9 million against € 691.6 million for the same period of the previous year, with a positive change of € 81.3 million (+11.8%).

First of all, this growth was contributed to by the volumes achieved in international markets and specifically those arising from consolidating the Polish Naprzód sub-group that was acquired during the fourth quarter of 2019, which recorded revenues of € 82.7 million in the first 9 months of 2020. Therefore, net of revenues attributable to the acquisition of Naprzód, sales volumes remained substantially unchanged (- € 1.4 million compared to the same period of the previous year) due to the effects of the shutdown of some operations as from March as a result of the lockdown due to the Covid-19 emergency, specifically in the Public market (as a result of the shutdown of operations at schools and Public Administrations); this was followed, especially in the summer period, by a phase of resumption and normalization of routine work that led to an increase in volumes which was significantly higher than the average recorded in the previous quarters. On the other hand, the health emergency entailed a positive change in the volumes in the Healthcare sector, in which the Group committed significant resources to meeting a

higher demand for sanitation, disinfection and maintenance of the Italian healthcare facilities, as well as an extraordinary supply of PPE.

Finally, the effects of the lockdown and the shutdown of Yougenio S.r.l.'s operations (which was followed by the deconsolidation of the company) entailed a further reduction of € 3.2 million in volumes.

The breakdown of consolidated Revenues for the first 9 months of 2020 compared to the figure of the same period in the previous year, as broken down by reference market and restated according to IFRS5.

## REVENUES BY MARKET

| *(in thousands of Euro)* | For the 9 months ended 30 September | | | | For the quarter ended 30 September | |
|---|---|---|---|---|---|---|
| | 2020 | % on total Revenues | 2019 restated | % on total Revenues | 2020 | 2019 restated |
| Public Authorities | 151,235 | 19.6% | 181,185 | 26.2% | 50,295 | 55,438 |
| Healthcare | 462,456 | 59.8% | 359,748 | 52.0% | 153,703 | 114,292 |
| Private Customers | 159,172 | 20.6% | 150,633 | 21.8% | 59,188 | 50,792 |
| **CONSOLIDATED REVENUES** | **772,864** | | **691,565** | | **263,186** | **220,522** |

Revenues in the Healthcare sector showed an overall increase of € 102.7 million compared to the same period of 2019, from € 359.7 million to € 462.5 million as a whole, accounting for 59.8% of total consolidated Revenues for the period (52.0% for the same period of 2019). The acquisition of the Polish Naprzód sub-group, which took place in the fourth quarter of 2019, further strengthened the central role of the Healthcare market in the development strategies for the services provided by the Group and entailed, during the period ended 30 September 2020, an incremental contribution of Revenues of € 76.0 million compared to the first 9 months of 2019. Even net of the contribution given by Naprzód, the market's Revenues therefore increased significantly in the period due to the operations linked to the health emergency.

During the period significant non-routine operations were in fact reported, which were requested by hospital trusts as a result of the Covid-19 health emergency, specifically for cleaning, sanitization, fitting out triage areas and new Covid wards on the part of the Parent Company Rekeep, as well as the supplies of linen and bulk materials (gowns) for Covid wards and the sale of PPE on the part of Servizi Ospedalieri and Medical Device. These additional activities more than offset the postponement of scheduled non-routine maintenance work and a sharp reduction in the sterilization operations of surgical instruments, as well as a reduction in routine hospitalisation and outpatient operations that the health service system, engaged in dealing with the emergency, has substantially suspended for several months.

The Public sector posted Revenues of € 151.2 million in the first 9 months of 2020, down by € 29.9 million compared to the same period of 2019. This sector is the most affected by the Covid-19 emergency in terms of reduction in revenue volumes. In this sector, in fact, a portion of the revenues from cleaning and heat management services at schools, university centres, public offices and museums was no longer recorded as early as from the second 10-day period of March, accompanied by a general postponement of scheduled non-routine maintenance operations. At the same time as the lockdown, the orders for the provision of cleaning services at schools under the Consip Scuole agreement ceased as well, following the re-insourcing of operations on the part of the Ministry of Education, Universities and Research. Furthermore, there was a reduction in volumes in the rail transport sector following the completion of the contract involving "Cleaning services on board night trains" with Trenitalia S.p.A. in January 2020, although with a substantial increase in the demand for sanitation of rolling stock on the other orders that, following the forced shutdown as a result of the lockdown, showed positive signs following the resumption of travel above all at a regional level.

Finally, the Private sector showed that volumes remained clearly stable (with an increase of € 8.5 million compared to the first 9 months of 2019). The effects of lower volumes of routine and non-routine work for the period (above all in the first half of the year) and the postponement of engineering works for private retail customers (local stores and branches that constitute the target market for H2H Facility Solutions) following the lockdown were in fact offset by higher non-routine work with the customer Telecom before the health emergency, as well as by an increase in revenues from picking operations in the large-scale retail trade channel, in particular as a result of a gradual expansion of the scope of operation assigned by the customer Carrefour. Furthermore, again in the retail and large-scale trade sector, non-routine maintenance and cleaning work operations were carried out during the summer period at the same time as reopening stores to the general public.

### *Analysis of revenues by Segment*

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

## REVENUES BY SEGMENT

| *(in thousands of Euro)* | For the 9 months ended 30 September | | | | For the quarter ended 30 September | |
|---|---|---|---|---|---|---|
| | 2020 | % on total Revenues | 2019 restated | % on total Revenues | 2020 | 2019 restated |
| Facility Management | 660,238 | 85.4% | 592,772 | 85.7% | 224,301 | 187,814 |
| *of which International markets* | *99,426* | *12.9%* | *6,605* | *1.0%* | *35,865* | *2,483* |
| Laundering & Sterilization | 115,494 | 14.9% | 100,685 | 14.6% | 39,533 | 33,396 |
| Eliminations | (2,868) | | (1,892) | | (647) | (688) |
| **CONSOLIDATED REVENUES** | **772,864** | | **691,565** | | **263,186** | **220,522** |

The most often mentioned acquisition of the Naprzód Group showed its effects significantly (+ € 82.7 million), even with reference to consolidated data by SBU, against an overall increase of € 67.4 million in revenues for the Facility Management SBU. Therefore, the SBU showed a decrease of € 15.2 million in the volumes from company operations through internal growth, again due to the effects of lower volumes of work following the lockdown as a result of the Covid-19 emergency referred to above. In the Facility Management SBU we must also note both the re-insourcing of operations by the competent Ministry involving cleaning services at schools (the effects of which on the period must be added to those of the lockdown) and the completion of the contract concerning "Cleaning services on board night trains" with Trenitalia S.p.A., as well as, finally the shutdown of Yougenio S.r.l.'s operations. In relative terms, the acquisition of the Polish group did not change the significant relative weight of the Facility Management SBU, which remained substantially unchanged compared to total Consolidated Revenues (85.4% in the first 9 months of 2020 against 85.7% in the first 9 months of 2019).

On the other hand, revenues of the *Laundering&Sterilization* SBU increased from € 100.7 million for the period ended 30 September 2019 to € 115.5 million for the period ended 30 September 2020, with a significant increase up to € 14.8 million (+ 14.7%), which was mainly attributable to higher sales of PPE and the supply of bulk materials (gowns), linen and mattresses by Servizi Ospedalieri and Medical Device, as requested by the hospital trusts as a result of the health emergency.

## EBITDA

The Group's EBITDA came to € 84.0 million for the period ended 30 September 2020, showing an increase of € 12.8 million compared to € 71.2 million for the same period of 2019). The contribution to consolidated EBITDA of the Polish sub-group controlled by Naprzód was equal to € 6.3 million at 30 September 2020 and, on the other hand, there was the deconsolidation of subsidiary Yougenio in liquidation, which had showed a negative value of EBITDA equal to € 2.8 million at 30 September 2019.

Finally, EBITDA during the two comparative periods expensed non-recurring costs of € 2.2 million at 30 September 2020 and € 3.2 million at 30 September 2019, respectively. Therefore, Adjusted EBITDA, excluding these non-recurring elements, amounted to € 86.2 million at 30 September 2020, against Adjusted EBITDA of € 74.4 million at 30 September 2019 (+ € 77.3 million assuming the same consolidation perimeter that excludes Yougenio).

Below is provided a comparison of EBITDA by business segment for the 9 months ended 30 September 2020 compared to the same period of 2019, as restated for the effects of IFRS5:

## EBITDA BY SEGMENT

| *(in thousands of Euro)* | For the 9 months ended 30 September | | | | For the quarter ended 30 September | |
|---|---|---|---|---|---|---|
| | 2020 | % on Revenues by segment | 2019 restated | % on Revenues by segment | 2020 | 2019 restated |
| Facility Management | 57,445 | 8.7% | 46,922 | 7.9% | 19,193 | 13,174 |
| *of which International markets* | *3,137* | | *(2,587)* | | *1,353* | *(1,086)* |
| Laundering&Sterilization | 26,519 | 23.0% | 24,292 | 24.1% | 9,539 | 7,885 |
| **CONSOLIDATED EBIT** | **83,964** | **10.9%** | **71,215** | **10.3%** | **28,732** | **21,059** |

The Facility Management sector showed EBITDA of € 57.4 million at 30 September 2020, up by € 10.5 million compared to € 46.9 million in the same period of 2019. The non-recurring items which affected the consolidated results recorded during the two comparative periods had an impact of € 2.0 million and € 2.9 million at 30 September 2020 and 30 September 2019, respectively, on this segment; therefore, Adjusted EBITDA by segment showed an increase of € 9.7 million compared to the first 9 months of the previous year. Of these an amount of € 6.3 million was contributed by the consolidation of the Polish subsidiary Naprzód, while an amount of € 2.8 million consisted of the positive differential for the deconsolidation of the losses posted by Yougenio. The SBU's performance remains then positive even if we consider the net effects of the lockdown on revenues (and consequently on profit margins) from some sectors (mainly linked to public customers) as mentioned above, and that additional costs were incurred during the healthcare emergency period for the purchase of personal protective equipment (PPE) for employees working at hospitals and other customers at which premises work continued.

EBITDA in the *Laundering&Sterilization* business segment for the first 9 months of 2020 came to € 26.5 million, up by € 2.2 million compared to the same period of 2019. The adverse impact of the health emergency was also substantially offset by additional operations to meet customers' demand in the healthcare sector as regards EBITDA in the segment, as well as revenues. Non-recurring items which affected EBITDA during the two comparative periods had an impact of € 0.2 million on this sector at 30 September 2020 and € 0.3 million at 30 September 2019; therefore, Adjusted EBITDA by segment showed an increase of € 2.1 million compared to the first 9 months of the previous year.

### *Costs of production*

At 30 September 2020, *Costs of production*, which amounted to € 688.9 million, showed an increase of € 68.6 million in absolute value compared to € 620.3 million posted at 30 September 2019. The consolidation of the Polish subsidiary Naprzód and of its subsidiaries contributed an amount of € 76.4 million to the consolidated *Costs of production* for the period: therefore, net of this effect, Costs of production showed a decrease in absolute value equal to € 7.8 million, with a sign consistent with the reduction in revenues (- € 1.4 million) in the same perimeter, but higher in absolute terms, thus proving the increase achieved in terms of operating margins in the period.

| *(in thousands of Euro)* | For the 9 months ended 30 September | | | | For the quarter ended 30 September | |
|---|---|---|---|---|---|---|
| | 2020 | % of total | 2019 restated | % of total | 2020 | 2019 restated |
| Costs of raw materials and consumables | 132,123 | 19.2% | 109,598 | 17.7% | 41,051 | 30,362 |
| Change in inventories of finished and semi-finished products | (1,291) | -0.2% | (1,063) | -0.2% | (1,002) | (338) |
| Costs for services and use of third-party assets | 235,885 | 34.2% | 218,760 | 35.3% | 86,924 | 77,730 |
| Personnel costs | 313,267 | 45.5% | 289,996 | 46.7% | 105,055 | 90,508 |
| Other operating costs | 9,975 | 1.4% | 5,247 | 0.8% | 3,037 | 2,028 |
| Capitalisation of lower internal construction costs | (1,058) | -0.2% | (2,188) | -0.4% | (611) | (827) |
| **TOTAL COSTS OF PRODUCTION** | **688,901** | | **620,350** | | **234,454** | **199,463** |

*Costs of raw materials and consumables*, in the first 9 months of 2020, came to € 132.1 million, showing an increase of € 22.5 million (+20.6%) compared to the value posted in the same period of 2019, which led to an increase in the impact on total Costs of Production (19.2% at 30 September 2020 against 17.7% at 30 September 2019). The increase mainly related to the consumption of raw materials of the Naprzód sub-group, which contributed for € 14.5 million in the period of 2020. Net of this change in the perimeter the increase in absolute value mainly concerned the cost for consumption of materials against a decrease in fuel consumption (€ 10.0 million equal to -25.5%) mainly due to a reduction in the average price of methane compared to the same period of 2019 and, to a lesser extent, to lower consumption linked both to higher average temperatures in the first months of 2020 compared to the previous year, which also had an impact on the related volumes of heat management operations.

*Costs for services and use of third-party assets* came to € 235.9 million at 30 September 2020, up by € 17.1 million compared to the value posted at 30 September 2019 (€ 218.8 million), with a slight decline in terms of impact on total Costs of Production (34.2% against 35.3% for the first 9 months of 2019). In this item the incidence for the consolidation of Naprzód was equal to + € 10.7 million, equal to 4.5% of total Costs for services and, therefore, there was an increase in the relative incidence on total Costs of production, the perimeter remaining unchanged (which came to 36.3% in the first 9 months of 2020). These effects are normally linked to the mix of services in progress, as well as to the consequent make or buy choices.

*Personnel costs* increased in absolute terms by € 23.3 million (+ 8.0%) from € 290.0 million at 30 September 2019 to € 313.3 million at 30 September 2020, with a decline in terms of impact on total Costs of Production (45.5% at 30 September 2020 against 46.7% at 30 September 2019). The contribution given by the Naprzód group to the consolidated accounts was

significant (€ 46.7 million in 2020, equal to 14.9% of Personnel costs) in this case too, entailing a further lower relative incidence on total Costs of production of the rest of the perimeter, thus coming to 43.0% in the first 9 months of 2020.

The average number of employees in service during the first 9 months of 2020 was equal to 27,774, while it was 17,484 in the same period in the previous year (of which 25,985 against 16,160 manual workers). Such a significant increase was due to the entry into the Group of the Polish subsidiary Naprzód and its subsidiaries, which provide services in the most labour-intensive facility management segment (cleaning and catering) and contributed an average number of 10,281 employees in the first 9 months of 2020. Net of this change in the perimeter, the average number of employees would have remained substantially stable (17,493 units, including 16,135 manual workers). Perfectly symmetrical to what was said for costs for services, the trend in the number of Group employees, and in particular manual workers, was closely related to the mix of services in progress, as is the impact of related costs on total operating costs.

*Other operating costs* at 30 September 2020 amounted to € 10.0 million (€ 5.2 million at 30 September 2019). The increase of € 4.7 million was mostly attributable to the contribution given by Naprzód (equal to € 4.5 million in the period) in relation to duties, penalties and sundry operating charges.

Finally, *Capitalisation of lower internal construction costs* of € 1.1 million were recognized at 30 September 2020, against € 2.2 million at 30 September 2019, relating to some service concessions managed by Rekeep S.p.A., providing for the initial execution of long-term works, and in particular, to the award of the service contract at the Municipality of Casalecchio di Reno (BO), which was started during 2018, for the integrated management of thermal energy and public lighting in the municipal district (through subsidiary Elene Project S.r.l. sold in December 2019), and to the award of the service contract at the Municipality of Valsamoggia (BO) for the integrated operation of thermal energy supply and management and public lighting services, which was started at the beginning of 2019, through Energy Saving Valsamoggia S.r.l..

## Operating income (EBIT)

In the first 9 months of 2020, consolidated Operating Income (**EBIT**) was negative for € 33.4 million against a positive EBIT of € 42.7 million during the same period of 2019.

The EBIT's performance in the first 9 months of 2020 was adversely and strongly affected by the provision for risks of € 82.2 million that was recognized by the Parent Company Rekeep S.p.A. after the Lazio Regional Administrative Court's judgment published on 27 July 2020, which only partially granted the appeal submitted by the Company against the Competition Authority's Order served on 9 May 2019. To it must be added an additional non-recurring accrual of € 2.7 million that the parent company Rekeep S.p.A. had accounted for against the risk associated with the probable incurrence of additional costs for co-generation operations performed at two private industrial sites, mainly relating to previous years. Net of these accruals (as well as of the already mentioned non-recurring items impacting on Adjusted EBITDA), **Adjusted EBIT** was positive and came to € 53.8 million against € 45.9 million at 30 September 2019 (which included the negative EBIT of Yougenio S.r.l. equal to € 3.8 million). The relative profit margin (Adjusted EBIT/Revenues) was equal to 7.0% and 6.6%, respectively.

EBIT for the period was affected by the above-mentioned consolidated performance in terms of EBITDA (+ € 12.7 million compared to the same period of the previous year), from which must be also deducted *amortization and depreciation* of € 26.9 million (€ 25.7 million at 30 September 2019), of which € 5.1 million relating to the amortization of the Rights of Use (€ 6.1 million at 30 September 2019), as well as *write-downs of receivables* and *reversals* of € 2.5 million (€ 1.4 million at 30 September 2019) and *other impairment losses* for € 0.5 million relating to the write-down of other non-trade operating receivables (not reported at 30 September 2019). Furthermore, *accruals to provisions for risks and charges (net of reversals)* of € 87.4 million were recorded during 2020 (€ 1.4 million at 30 September 2019), which include the already mentioned non-recurring provisions totalling € 84.9 million.

Below is a comparison of Operating Income (EBIT) by business segment for the period ended 30 September 2020 and that posted in the same period in 2019, as restated for the effects of IFRS5:

## EBIT BY SEGMENT

| *(in thousands of Euro)* | For the 9 months ended 30 September | | | | For the quarter ended 30 September | |
|---|---|---|---|---|---|---|
| | 2020 | % on Revenues by segment | 2019 restated | % on Revenues by segment | 2020 | 2019 restated |
| Facility Management | (46,339) | -7.0% | 31,086 | 5.2% | 13,872 | 8,096 |
| *of which International Markets* | *335* | | *(2,858)* | | *385* | *(1,184)* |
| Laundering&Sterilization | 12,958 | 11.2% | 11,571 | 11.5% | 4,841 | 3,562 |
| **CONSOLIDATED EBIT** | **(33,381)** | **-4.3%** | **42,657** | **6.2%** | **18,713** | **11,658** |

EBIT in the *Facility Management* sector was negative for € 46.3 million at 30 September 2020. The segment result, therefore, expensed the already mentioned provisions for non-recurring risks totalling € 84.9 million, net of which EBIT by segment would have been equal to € 38.6 million (5.8% of related segment Revenues), against EBIT by segment of € 31.1 million (5.2% of related segment Revenues) at 30 September 2019, and therefore with a significant increase in absolute value compared to the same period of the previous year (+ € 7.5 million).

First of all, the sector recorded a positive differential in terms of EBIT of the companies operating in International Markets (+ € 3.2 million) which, although they have not yet reached break-even in terms of operating margin, were positively affected by the contribution given by the Polish Naprzód group (acquired during the last quarter of 2019), which contributed to consolidated EBIT for € 3.9 million.

In addition to changes in the perimeter, EBIT by segment reflects the abovementioned performance in terms of EBITDA (+ € 12.7 million) and Adjusted EBITDA (+ € 11.7 million) to which must be added higher amortization and depreciation for € 0.7 million (against € 2.4 million of amortization and depreciation posted by the Naprzód group, which were not reported at 30

September 2019, and lower amortization and depreciation for € 0.9 million attributable to Yougenio). Furthermore, there was the recognition of higher write-downs of trade receivables for € 0.9 million, higher impairment losses on non-trade receivables for € 0.5 million and higher net accruals on provisions for future risks and charges for € 0.9 million, excluding the non-recurring provisions for risks mentioned above, which impacted entirely on this segment.

To the EBITDA in the *Laundering&Sterilization* segment during the first 9 months of 2020 (€ 26.5 million, + € 2.2 million compared to the same period of the previous year) must be added, at segment EBIT level, amortization and depreciation for € 13.1 million (€ 12.7 million in 2019, and mainly relating to the linen used in the linen rental and industrial laundering segment), in addition to write-downs of trade receivables for € 0.3 million (non-significant and less than € 0.1 million at 30 September 2019) and accruals to provisions for future risks and charges for € 0.1 million (against a net release of € 0.1 million at 30 September 2019). The profit margins by segment came to 11.2% in terms of EBIT of related Revenues (11.5% at 30 September 2019). No non-recurring items impacting on EBIT by segment (in addition to those described for EBITDA) were reported in the two comparative periods.

## Profit (loss) before tax from continuing operations

To the consolidated EBIT must be added the negative results for the companies valued at equity, equal to € 6.7 million (net income of € 0.3 million at 30 September 2019). This item includes in particular the charges for the period relating to Roma Multiservizi S.p.A. (€ 1.4 million) and to subsidiary Yougenio (€ 5.3 million), which was consolidated according to the equity method as from the 2020 financial year, given the start of the winding-up process.

Net financial charges for the period were also recognized for € 34.8 million (€ 30.2 million at 30 September 2019), thus obtaining a Loss before tax from continuing operations equal to € 74.9 million (against a profit of € 12.8 million at 30 September 2019).

Below is provided the breakdown by nature of net financial charges in the period ended 30 September 2020 and for the same period in the previous year:

| *(in thousands of Euro)* | For the 9 months ended 30 September | | For the quarter ended 30 September | |
|---|---|---|---|---|
| | 2020 | 2019 restated | 2020 | 2019 restated |
| Dividends and income (loss) from sale of investments | 147 | 782 | 75 | 6 |
| Financial income | 1,939 | 2,573 | 416 | 335 |
| Financial charges | (37,115) | (33,558) | (13,231) | (10,919) |
| Profit (loss) on exchange rate | 194 | 5 | 57 | 40 |
| **NET FINANCIAL CHARGES** | **(34,835)** | **(30,198)** | **(12,683)** | **(10,538)** |

During the first 9 months of 2020 dividends were collected from non-consolidated companies for € 0.1 million (€ 0.2 million at 30 September 2019). During 2019, the Parent Company also recorded capital gains on equity investments of € 0.6 million in relation to the collection of the earn-out on the disposal of one of the project finance companies within the scope of the transaction carried out with 3i EOPF in December 2018. This income was not recognised at the same time as the disposal because it was linked to uncertain and unforeseeable future events that occurred during 2019.

Financial income amounted to € 1.9 million in the first 9 months of 2020, compared to € 2.6 million in the same period of 2019. During 2020 the Parent Company Rekeep S.p.A. recognized a capital gain of € 1.2 million on the purchase of portions of its bond issue on the market for a nominal total of € 15.8 million (€ 1.6 million for the same period of the previous year against repurchases of € 10.3 million). Lower default interest from customers was also recognized for € 0.6 million, which concerned the settlement of some past items in 2019.

In the period the impact of *financial charges* on the consolidated results of operations for the period was equal to € 37.1 million compared to € 33.6 million for the same period of 2019.

The financial charges accrued on the coupons of the Senior Secured Notes came to € 23.0 million during the first 9 months of 2020 (€ 23.7 million in the same period of 2019). The upfront fees relating to the issue of Senior Secured Notes were accounted for according to the amortised cost method, which entailed financial amortization charges of € 3.0 million in the period, of which € 0.4 million relating to the write-off of the portion relating to the repurchased Notes (€ 2.9 million at 30 September 2019, with a write-off of equal amount).

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 € 1.0 million) back to Rekeep S.p.A., which will be also amortised on a straight-line basis throughout the entire term of the credit facility. The cost relating to this line of credit amounted to € 0.3 million at 30 September 2020, including the commitment fees charged by banks (€ 0.5 million at 30 September 2019), to which must be added the financial cost of the line following the use as from 23 March 2020 (€ 1.1 million).

Interest discount costs were also recognised for € 3.5 million during the first 9 months of 2020, against € 2.8 million at 30 September 2019, in relation to the assignments of trade receivables and VAT credits without recourse.

Finally, foreign exchange gains of € 0.2 million were recorded at 30 September 2020, mainly linked to the fluctuations in Euro/ Turkish Lira and Polish Zloty exchange rates during the period.

## Consolidated net Result for the period

From the Profit (loss) before tax from continuing operations (showing a loss of € 74.9 million) must be deducted taxes of € 10.0 million, thus obtaining a net Loss from continuing operations of € 84.9 million (against a profit of € 4.5 million at 30 September 2019).

Consolidated net profit (loss) also included a Profit from discontinued operations of € 2.2 million (€ 1.3 million at 30 September 2019). On 28 February 2020 there was the completion of 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 made for a consideration of € 55.0 million. The sale gave rise to a capital gain of € 3.1 million in the Consolidated Financial Statements, against a net capital gain of € 11.2 million in the separate financial statements of the Parent Company Rekeep S.p.A., including additional costs of € 1.6 million and negative adjustments to the price collected upon closing, equal to € 2.1 million at 30 September 2020. According to IFRS5, this capital gain is stated as "Profit (loss) from discontinued operations", net of any related tax effect (€ 0.6 million). Furthermore, the results of operations achieved by the sub-group controlled by Sicura S.p.A. have been excluded from the scope of "Continuing operations" and classified under the same item of the Statement of Profit/loss for the year in the Interim Condensed Consolidated Financial Statements at 30 September 2020, as well as at 30 September 2019.

Below is the breakdown of consolidated tax rate:

| *(in thousands of Euro)* | For the 9 months ended 30 September | |
|---|---|---|
| | 2020 | 2019 restated |
| **Profit (loss) before tax from continuing operations** | **(74,904)** | **12,797** |
| Provision for the Competition Authority's fine for the FM4 Tender | 82,194 | 0 |
| Profit (loss) before tax from discontinued operations | 2,711 | 2,207 |
| **Consolidated profit (loss) before tax excluding AGCM** | **10,001** | **15,004** |
| Current, prepaid and deferred IRES tax | (6,409) | (4,866) |
| Current, prepaid and deferred IRAP tax | (3,446) | (3,415) |
| Tax adjustments for previous periods | (137) | 2 |
| Taxes on profit/(loss) from discontinued operations | (541) | (859) |
| **Consolidated net profit (loss) excluding AGCM** | **(533)** | **5,865** |
| **Consolidated tax rate** | **N.A.** | **60.9%** |

As already mentioned, the Profit (loss) before tax includes a significant accrual relating to the administrative proceedings pending with the Competition Authority (€ 82.2 million), which gives rise to a Loss before tax of € 74.4 million. Furthermore, during the first 9 months of 2020, the Group recognized a Profit before tax from discontinued operations equal to € 2.2 million, including the aforementioned capital gain from sale of consolidated investments, which gave rise to a tax effect of € 0.6 million.

Compared to the same period of the previous year the Group recognized higher current, prepaid and deferred taxes for € 1.4 million against a lower Consolidated Profit (loss) before tax (excluding the accrual for the Competition Authority's fine) for € 5.5 million, mainly due to the substantial lack of changes in IRAP (Regional Production Activity) tax, the impact of which increased against a reduction in the Profit (loss) before tax, and higher non-deductible items for IRES tax purposes.

Finally, the Group reported a consolidated Net loss equal to € 82.7 million against a Net result of € 5.9 million at 30 September 2019.

## 2.2. Analysis of the statement of financial position at 30 September 2020

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

| *(in thousands of Euro)* | 30 September 2020 | 31 December 2019 |
|---|---|---|
| **USES** | | |
| Trade receivables and advances to suppliers | 435,290 | 412,572 |
| Inventories | 10,235 | 7,910 |
| Trade payables and contract liabilities | (382,023) | (405,950) |
| **Net working operating capital** | **63,502** | **14,532** |
| Other working capital elements | (75,605) | (115,344) |
| **Net working capital** | **(12,103)** | **(100,812)** |
| Property, plant and equipment and assets under finance leases | 88,049 | 87,811 |
| Rights of use for operating leases | 35,526 | 38,680 |
| Goodwill and other intangible assets | 411,558 | 414,601 |
| Investments accounted for under the equity method | 9,680 | 10,376 |
| Other items of non-current assets | 33,316 | 123,603 |
| **Fixed assets** | **578,129** | **675,071** |
| Non-current liabilities | (133,578) | (54,826) |
| **NET INVESTED CAPITAL** | **432,448** | **519,433** |
| **SOURCES** | | |
| Equity attributable to non-controlling interests | 1,929 | 836 |
| Equity attributable to equity holders of the Parent | 68,121 | 151,970 |
| **Shareholders' equity** | **70,050** | **152,806** |
| Net financial indebtedness | 362,398 | 366,627 |
| *of which accounting effects of the adoption of IFRS 16* | *39,806* | *42,920* |
| **FINANCING SOURCES** | **432,448** | **519,433** |

The net book value of "Rights of use for operating leases" was stated among the balance sheet assets for € 35.5 million at 30 September 2020 (€ 38.7 million at 31 December 2019), 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. Increases for new hiring contracts and rental adjustments were recorded for € 3.7 million in the first 9 months of 2020, of which

an amount of € 0.7 million for property leases, in addition to decreases for early withdrawal for € 0.9 million and amortization allowances for € 5.1 million.

At 31 December 2019, the fine of € 94.6 million imposed by the Competition Authority in relation to the Consip FM4 Tender, was recognized among non-current assets. Furthermore, 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" for the same amount. This liability was expected to be paid off through the payment of the 72 instalments set in the plan of instalment payment of the amount stated in the abovementioned notice; however, Decree Law no. 18 of 17 March 2020, governing "Measures to strengthen the National Health Service and to provide financial support to households, workers and businesses related to the COVID 19 epidemic emergency" ("Cure Italy Decree") provided, among others, for the possibility of suspending the payment of instalment payment plans already granted by the Revenue Agency, to be made by 30 September 2020 without penalties and interest. The Company availed itself of this suspension and subsequently the notice of payment was also suspended pending the definition of the new measure. Therefore, as at 30 September 2020 three instalments had been duly paid for € 3,010 thousand and with the settlement of the proceedings on the merits this amount is stated at present among "Other non-current assets". The Company is currently assessing the methods of recovering these amounts, through repayment or any possible set-off with what emerges from the new Competition Authority's order of 29 October 2020. Following the developments of this dispute, which only partially granted the Parent Company's appeal and provided for new methods of calculating the fine imposed by the Competition Authority, a specific provision for risks of € 82.1 million has been recorded in the interim condensed consolidated financial statements, at the same time as the write-off of the guarantee itself and of the residual debt for instalment payments.

## Net working capital

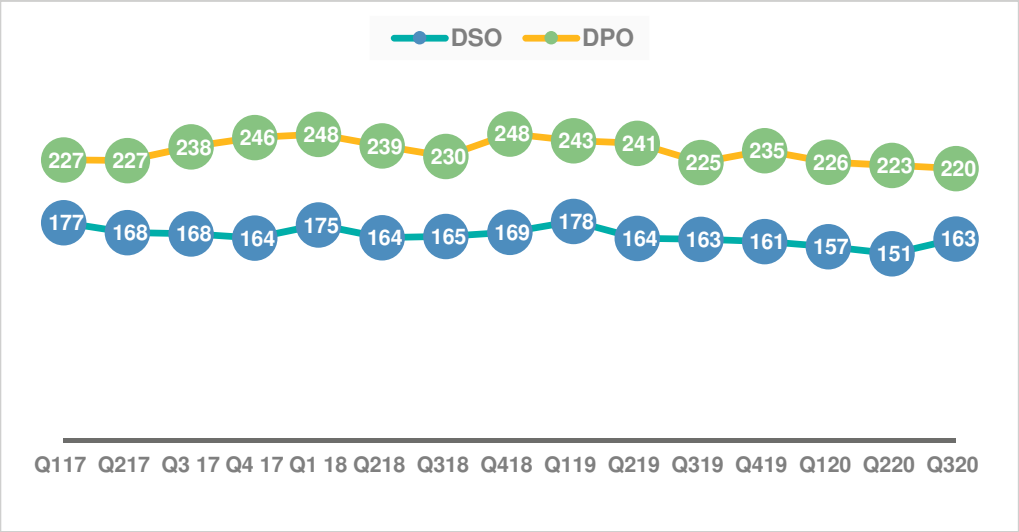
At 30 September 2020, Consolidated Net Working Capital (**NWC**) was negative and equal to € 12.1 million against a negative value of NWC of € 100.8 million at 31 December 2019.

At 30 September 2020, 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 € 63.5 million against € 14.5 million at 31 December 2019. Considering the balance of receivables assigned by the Group without recourse and not yet collected by the factoring agencies (equal to € 73.0 million at 30 September 2020 and € 75.1 million at 31 December 2019) the **Adjusted NWOC** came to € 136.5 million and € 89.7 million, respectively.

The change in this latter indicator (+ € 6.8 million) was mainly linked to the balance of trade payables (- € 23.9 million) against an increase in trade receivables (+ € 20.6 million, considering the balance of receivables assigned by the Group without recourse and not yet collected by the factoring companies).

As at 30 September 2020, average DSO was 163 days against 161 days at 31 December 2019 and 163 days at 30 September 2019. As at 30 September 2020 DPO was equal to 220 days, with a significant decrease compared to the value posted at 31 December 2019 (235 days) and 30 September 2019 (225 days).

The value of receipts showed a slight increase, although normal, compared to the previous quarters. DPO also showed a more marked reduction compared to the average data for the period, with a lower use of leverage on payments to suppliers with respect to the benefits of financial flows obtained from receipts. Furthermore, note the positive contribution given to these indicators compared to the consolidated average by the companies acquired in Poland, whose average times of collection and payment are lower than average times recorded with the Italian public customers.




The balance of the other elements in working capital at 30 September 2020 was a net liability of € 75.6 million, down by € 39.7 million compared to a net liability of € 115.3 million at 31 December 2019:

| *(in thousands of Euro)* | 30 September 2020 | 31 December 2019 | Change |
|---|---|---|---|
| Current tax receivables | 11,799 | 10,090 | 1,709 |
| Other current assets | 29,212 | 31,054 | (1,842) |
| Assets held for sale | 0 | 70,500 | (70,500) |
| Provisions for risks and charges, current | (9,344) | (6,392) | (2,952) |
| Current tax payables | (3,188) | (1,280) | (1,908) |
| Other current liabilities | (104,084) | (192,465) | 88,381 |
| Liabilities associated with assets held for sale | 0 | (26,851) | 26,851 |
| **OTHER WORKING CAPITAL ELEMENTS** | **(75,605)** | **(115,344)** | **39,739** |

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

- a decrease 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" (- € 2.6 million). These credit balances allowed, during 2020, the performance of assignments without recourse of the balances on account of refund required from the Tax Authorities, for a total amount of € 28.8 million;
- a decrease in the already mentioned payable related to the guarantee for the fine imposed by the Competition Authority in relation to the Consip FM4 Tender (€ 94.6 million at 31 December 2019, included among "Other current operating liabilities"), given the outcome of the proceedings in first instance that only partially granted the Parent Company's appeal and provided for new methods of calculating the amount of the fine imposed, which was stated in a specific provision for legal risks in the condensed consolidated financial statements at 30 September 2020;
- an increase in the short-term portion of provisions for future risks and charges for € 3.0 million, in particular following non-recurring provisions set aside on the Parent Company's energy contracts for € 2.8 million.

Finally, on 28 February 2020 the sale of the total share capital of Sicura S.p.A. to Argos Wityu, a pan-European Private Equity fund was completed through 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 held for sale" and "Liabilities associated with assets held for sale", included among "Other elements of working capital" since they are intended for sale in the short term through their disposal.

## Other non-current liabilities

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

- defined-contribution plans for employee benefits, mainly including the Employee Termination Indemnity (TFR), equal to € 11.3 million and € 12.4 million at 30 September 2020 and 31 December 2019, respectively;
- long-term portion of Provisions for risks and charges for € 105.9 million at 30 September 2020 (including the accrual of € 82.2 million for the Competition Authority's fine related to the FM4 tender) against € 25.4 million at 31 December 2019;
- deferred tax liabilities of € 16.4 million (€ 16.4 million at 31 December 2019).

## Consolidated net financial indebtedness

Details of net financial indebtedness at 30 September 2020 are shown below, compared to the figures at 31 December 2019, as determined on the basis of the instructions laid down in CONSOB Communication no. DEM/6064293 of 28 July 2006.

| *(in thousands of Euro)* | 30 September 2020 | 31 December 2019 |
|---|---|---|

| | | |
|---|---|---|
| A. Cash | 192 | 197 |
| B. C/a, bank deposits and consortia, non-proprietary accounts | 110,681 | 96,946 |
| C. Securities held for trading | | |
| **D. Liquidity (A) + (B) + (C)** | **110,873** | **97,143** |
| **E. Current financial assets** | **7,130** | **4,819** |
| F. Current bank overdraft | 8,132 | 2,446 |
| G. Current portion of non-current debt | 60,786 | 4,395 |
| H. Other current financial liabilities | 43,672 | 64,989 |
| **I. Current financial indebtedness (F)+(G)+(H)** | **112,590** | **71,830** |
| **J. Current net financial indebtedness (I) - (D) - (E)** | **(5,413)** | **(30,132)** |
| K. Long-term bank debts and Senior Secured Notes | 328,246 | 353,335 |
| L. Other non-current financial liabilities | 39,565 | 43,424 |
| M. Derivatives | | |
| **N. Non-current financial indebtedness (K) + (L) + (M)** | **367,811** | **396,759** |
| **O. NET FINANCIAL INDEBTEDNESS (J) + (N)** | **362,398** | **366,627** |

The first 9 months of 2020 saw a slight decline in the Consolidated Net financial indebtedness from € 366.6 million at 31 December 2019 to € 362.4 million at 30 September 2020. The accounting adjustment relating to the residual discounted value of future operating lease payments (according to IFRS16) was equal to € 39.8 million and € 42.9 million at 30 September 2020 and 31 December 2019, respectively. Net of this accounting item, the net financial debt would come to € 322.6 million at 30 September 2020 against € 323.7 million at 31 December 2019.

The assignments of trade receivables without recourse continued in 2020. The Parent Company Rekeep S.p.A. and Servizi Ospedalieri S.p.A. signed a 3-year maturity factoring agreement with Bancafarmafactoring S.p.A concerning the assignment, without recourse and on a revolving basis, of receivables claimed by the same companies from Entities in the National Health System and Public Authorities, for an amount of up to € 200 million. During the first 9 months of 2020 assignments without recourse were made under this contract for € 120.1 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. Receivables from private entities and Public Authorities were assigned for € 30.8 million in the first 9 months of 2020, in consideration of this 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, used in the period for the assignment of receivables from private individuals for a total amount € 13.3 million. Finally, spot assignments of trade receivables from public customers with Banca Sistema for € 11.0 million, from private companies and companies in the large-scale retail trade were made for € 22.7 million,

as were assignments of VAT credits requested for refund for a total of € 28.8 million. 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 the latter at the reporting date (totalling € 73.0 million at 30 September 2020 against € 75.1 million at 31 December 2019) amounted to € 435.4 million (€ 395.6 million, eliminating the effects of the adoption of IFRS16) against € 441.8 million at 31 December 2019 (€ 398.9 million, eliminating the effects of the adoption of IFRS16).

At 30 September 2020 the balance of Cash and cash equivalents, net of short-term lines of credit ("Net Cash") amounted to € 89.6 million (€ 66.5 million at 31 December 2019):

| *(in thousands of Euro)* | **30 September 2020** | **31 December 2019** |
|---|---|---|
| Cash and cash equivalents | 110,873 | 97,143 |
| Current bank overdraft, advance payments and hot money | (8,132) | (2,446) |
| Obligations arising from assignments of trade receivables with recourse | (13,158) | (28,174) |
| **NET CASH** | **89,583** | **66,523** |

Below is the breakdown of the net financial exposure for bank credit lines and finance lease obligations ("*Net Debt*"), compared to 31 December 2019:

| *(in thousands of Euro)* | **30 September 2020** | **31 December 2019** |
|---|---|---|
| Senior Secured Notes 2022 (nominal value) | 333,900 | 349,700 |
| Revolving Credit Facility ("RCF") | 50,000 | 0 |
| Bank debts (nominal value) | 1,426 | 14,843 |
| Finance lease obligations | 6,523 | 5,853 |
| Current bank overdraft, advance payments and hot money | 8,132 | 2,446 |
| Obligations arising assignments of receivables with recourse | 13,158 | 28,174 |
| Payables for reverse factoring | 2,431 | 0 |
| **GROSS DEBT** | **415,571** | **401,016** |
| Receivables and other current financial assets | (7,130) | (4,819) |
| Cash and cash equivalents | (110,873) | (97,143) |
| **NET DEBT** | **297,568** | **299,054** |

On 18 March 2020, the Parent Company Rekeep S.p.A. formalized the request for use of the Super Senior Revolving loan ("RCF"), subscribed upon the bond issue by the issuer CMF S.p.A., to which Rekeep S.p.A. is a party as Borrower. The loan was disbursed on 23 March 2020, while an additional request for six-monthly drawdown was submitted on 23 September 2020. The 5-year credit facility (expiring on 15 December 2021) provides for a credit line at sight, in a maximum nominal amount of € 50 million, for the entire term.

In April and May 2020 Rekeep S.p.A. formalised the purchase of portions of its bond issue on the open market for a nominal total of € 15.8 million. The book value of the remaining debt for principal of the Senior Secured Notes was then equal to € 333.9 million (against an amount of € 349.7 million at 31 December 2019). The Notes that had been repurchased were not cancelled and at present they are still held in the portfolio.

Furthermore, the C.C.F.S. loan raised by the Parent Company Rekeep S.p.A., for an initial amount of € 10 million and a remaining debt of € 8.9 million at 31 December 2019 (€ 8.3 million at the date of repayment), was early repaid on 29 June 2020.

Furthermore, there was the recognition of lower uses of credit lines for the assignment with recourse of trade receivables (€ 13.2 million at 30 September 2020 against € 28.2 million at 31 December 2019) and higher uses in Current bank overdraft, advance payments and hot money (€ 8.1 million at 30 September 2020 and € 2.4 million at 31 December 2019).

The change in consolidated "Cash and cash equivalents" is analyzed in the table below, which shows the cash flows for the first 9 months of 2020, compared with the figures for the same period of the previous year. Reference should be made to Annexes, which contain a reconciliation between the items in the table and those in the statutory schedule provided in the Interim Report on Operations, presented in the condensed Explanatory Notes pursuant to IAS 7.

| *(in thousands of Euro)* | **2020** | **2019** |
|---|---|---|
| **At 1 January** | **97,143** | **94,733** |
| Cash flow from current operations | 36,468 | 42,868 |
| Uses of provisions for risks and charges and payments of the Employee Termination Indemnity (TFR) | (5,904) | (4,834) |
| Change in NWOC | (49,423) | (24,162) |
| Industrial capex, net of disposals | (21,601) | (25,019) |
| Financial capex, net of disposals | 50,018 | 2,444 |
| Change in net financial liabilities | 9,501 | 680 |
| Other changes | (5,327) | (11,024) |
| **AT 30 SEPTEMBER** | **110,873** | **75,686** |

The overall cash flows mainly reflect:

- a cash inflow from operating activities of € 36.5 million (€ 42.9 million at 30 September 2019);
- outflows from the use of provisions for future risks and charges and of the provision for Employee Termination Indemnity (TFR) for € 5.9 million (€ 4.8 million at 30 September 2019);

- a cash flow used for changes in NWOC for € 49.4 million (€ 24.2 million at 30 September 2019) mainly resulting from an outflow correlated to an increase in trade receivables for € 27.5 million (€ 8.8 million in the first 9 months of 2019), as well as outflows for the change in the balance of trade payables for € 19.0 million (€ 13.4 million at 30 September 2019);
- a cash flow of € 21.9 million used in industrial investments (€ 25.2 million at 30 September 2019), net of disposals of € 0.3 million (€ 0.2 million at 30 September 2019);
- cash inflows from financial investments and disinvestments, equal to € 50.0 million at 30 September 2020, arising from the sale of Sicura S.p.A. for a consideration of € 52.7 million, net of additional transaction costs, which was followed by the acquisition of minority interests of the corporate vehicle controlling the company for € 2.0 million, against a cash inflow from financial disinvestments equal to € 2.4 million at 30 September 2019 and relating to the assignment of the shareholdings held in Palazzo della Fonte S.c.p.a. to UBI Banca S.p.A. at their asset value (€ 8.0 million) on the one hand, and, on the other, to the financial effects of the business combination that led to the acquisition of Emmetek S.r.l. (- € 5.6 million);
- an increase in net financial liabilities of € 9.5 million, which was mainly due to (i) activating the Revolving Credit Facility for € 50.0 million; (ii) the buy-back of Senior Secured Notes for € 15.8 million through the purchase on the open market in May2020, despite an increase in the balance of financial accruals maturing on coupons (+ € 7.7 million); (iii) a higher liability against factoring firms for the activation of reverse factoring lines (+ € 2.4 million); (iv) the early repayment of the residual debt of € 8.3 million of the CCFS committed credit line originally due in 2023; (v) the payment, during the period, of the dividend that the Parent Company resolved to distribute in December 2019 (- € 13 million); (vi) other changes in the liability related to the use of short-term credit lines for hot money and advances on invoices and for assignments of trade receivables with recourse (- € 9.3 million); (vii) a higher liability against factoring firms for amounts received on receivables previously assigned without recourse and repaid to them in the subsequent quarter (+ € 1.0 million) against higher receivables from the same firms for the bank accounts subject to pledge, on which services for receipt are operated (+ € 0.9 million); (viii) a reduction in the financial liability recognized on operating and finance leases (- € 2.4 million). The first 9 months of 2019 showed an increase in net financial liabilities of € 0.1 million, mainly linked to: (i) a reduction in the Senior Secured Notes debt for the repurchase of € 10.3 million of Notes on the open market, despite an increase in the balance of financial accruals maturing on coupons (+ € 7.8 million); (ii) new long-term credit lines for € 2.3 million entered into by subsidiary Elene Project S.r.l., against repayments of principal on bank loans for a total of € 1.4 million; (iii) other changes in the liability related to the use of short-term credit lines for hot money and advances on invoices (- € 4.4 million) and for assignments of trade receivables with recourse (+ € 6.4 million); (iv) a lower liability recognised against factoring firms for amounts received on receivables that had been previously assigned without recourse and returned to them in the subsequent quarter (- € 5.1 million); (iv) the recognition of higher borrowings for the acquisition of investments for € 3.6 million for the acquisition of Emmetek S.r.l.;
- cash outflows arising from other changes recorded in the period for € 5.3 million, mainly due to the net effect of the cash inflow generated by the changes in the net VAT credit balance of the Group companies (which decreased by € 2.6 million during the year, even against assignments without recourse amounting to € 28.8 million) and of the trend in debt balances for payments due to the members of the Temporary Business Grouping for (- € 2.0 million). Other changes in the first 9 months of 2019 showed cash outflows of € 11.0 million from other changes occurred in the period, which included, among

other things, the flows generated by the changes in other operating assets and liabilities (- € 7.2 million), mainly due to the net effect of: (i) the increase in the balance of payables to/receivables from employees and related payables to/receivables from social security institutions and Tax Authorities for withholding taxes (+ € 4.0 million); (ii) the trend in net VAT credit balances for the Group companies, which increased by € 3.5 million in the period, despite assignments without recourse totalling € 24.6 million; (iii) a decrease in the debit balances for payments due to the members of the Temporary Business Grouping for € 1.9 million; (iv) the 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 in full).

## Industrial and financial Capex

In the first 9 months of 2020 the Group made gross capital expenditures which totalled € 21.9 million (€ 25.3 million at 30 September 2019), from which must be deducted disinvestments of € 0.3 million (€ 0.2 million at 30 September 2019):

| *(in thousands of Euro)* | For the 9 months ended 30 September | |
|---|---|---|
| | 2020 | 2019 |
| Acquisitions of fixed assets under finance leases | 1,430 | 305 |
| Increases in owned properties | 244 | 42 |
| Purchase of plant and equipment | 16,851 | 18,793 |
| Other investments in intangible assets | 3,364 | 6,110 |
| *of which relating to Discontinued operations* | *0* | *297* |
| **INDUSTRIAL CAPEX** | **21,888** | **25,250** |

Acquisitions of plant and equipment include the purchase of linen by Servizi Ospedalieri S.p.A. for the linen rental and industrial laundering business, equal to € 10.6 million at 30 September 2020 against € 13.0 million at 30 September 2019, when they included new significant stocks for the start-up of some major contracts. Furthermore, in the 2019 financial year, there was the recognition of increases of € 2.2 million relating to plants operated under service concession agreements for the Municipal government of Casalecchio di Reno (BO) (through subsidiary Elene Project S.r.l, the majority quota of which was sold in December 2019) and at Valsamoggia (BO) (through subsidiary Energy Saving Valsamoggia S.r.l.). These increases amounted to € 1.1 million in the first 9 months of 2020.

Investments in intangible assets for the period amounted to € 3.4 million (€ 6.1 million at 30 September 2019) and mainly related to ICT investments on the part of the Parent Company for the upgrading and enhancement of its SAP infrastructure. Of these, an amount of € 0.9 million related to investments in the technological platform of subsidiary Yougenio S.r.l. during 2019.

Finally, investments in new finance leases for the period related to the facility management activities of the Parent Company Rekeep S.p.A. for € 0.5 million, as well as to the linen rental and industrial laundering operations of the Laundering& Sterilization SBU (€ 1.0 million at 30 September 2020 and € 0.3 million at 30 September 2019).

Below is the breakdown of capital expenditures in terms of SBU:

| *(in thousands of Euro)* | For the 9 months ended 30 September | |
|---|---|---|
| | 2020 | 2019 |
| Facility Management | 8,759 | 9,724 |
| *of which relating to International markets* | *2,651* | *37* |
| *of which relating to Discontinued operations* | *0* | *297* |
| Laundering & Sterilization | 13,129 | 15,526 |
| **INDUSTRIAL CAPEX** | **21,888** | **25,250** |

Finally, the cash flow from financial investments was positive and equal to € 50.0 million at 30 September 2020, mainly due to the net financial effects arising from the sale of Sicura S.p.A., which entailed the collection of an amount of € 55.0 million on the closing date, net of additional costs of € 2.4 million. On the same date, Rekeep S.p.A. paid a consideration of € 2.0 million for the acquisition of 5.96% of EULIQ VII S.A., a newco 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..

Finally, the cash flow from financial investments was positive and equal to € 2.4 million at 30 September 2019, due to the net effects of the sale to UBI Banca S.p.A. of the minority interests held in Palazzo della Fonte S.c.p.a. by the subsidiary H2H Facility Solutions S.p.A. for a consideration equal to its asset value (€ 8 million) and of the acquisition of Emmetek S.r.l. by Sicura S.p.A. for a consideration equal to € 5.9 million.

## Change in net financial liabilities

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

| *(in thousands of Euro)* | 31 December 2019 | Business Combinations | New loans | Repayments/ Payments | Buy-back/ Early termination | Other changes | 30 September 2020 |
|---|---|---|---|---|---|---|---|
| Senior Secured Notes | 339,905 | | | | (15,800) | 3,048 | 327,153 |
| Revolving Credit Facility | 0 | | 50,000 | | | | 50,000 |
| Bank loans | 14,755 | | 2,547 | (7,543) | (8,333) | | 1,426 |
| Current bank overdraft, advance payments and hot money | 2,446 | 764 | 8,132 | (3,210) | | | 8,132 |
| Accrued expenses and deferred income on loans | 699 | | | (16,112) | | 23,836 | 8,423 |

| *(in thousands of Euro)* | 31 December 2019 | Business Combinations | New loans | Repayments/ Payments | Buy-back/ Early termination | Other changes | 30 September 2020 |
|---|---|---|---|---|---|---|---|
| **BANK DEBTS** | **357,806** | **764** | **60,679** | **(26,864)** | **(24,133)** | **26,884** | **395,135** |
| Finance lease obligations | 5,853 | | 1,430 | (760) | | | 6,523 |
| Operating lease liabilities | 42,920 | | 3,698 | (5,884) | (927) | | 39,806 |
| Payables for assignments of trade receivables with recourse | 28,174 | | 25,177 | (40,192) | | | 13,158 |
| Payables for reverse factoring | 0 | | 2,431 | | | | 2,431 |
| Receipts on behalf of assignees of trade receivables without recourse | 7,558 | | 8,521 | (7,558) | | | 8,521 |
| Other current financial liabilities | 26,279 | | 5,083 | (16,448) | | (88) | 14,827 |
| **FINANCIAL LIABILITIES** | **468,589** | **764** | **107,019** | **(97,707)** | **(25,060)** | **26,796** | **480,401** |
| Current financial assets | (4,819) | | | | | (2,311) | (7,130) |
| **NET FINANCIAL LIABILITIES** | **463,770** | **764** | **107,019** | **(84,307)** | **(25,060)** | **24,486** | **473,271** |

The residual debt for principal of the Senior Secured Notes was equal to € 333.9 million at 30 September 2020, to which must be added the accounting adjustment on the issue discount and additional costs, accounted for according to the amortized cost method. The financial amortization of this adjustment generated financial costs for € 3.0 million in the first 9 months of 2020, including a write-off of € 0.4 million related to the buy-back of € 15.8 million which took place in April and May 2020 through the purchase on the open market.

On 18 March 2020 the Parent Company Rekeep S.p.A. formalized the request for use of the Super Senior Revolving loan ("RCF"), subscribed upon the bond issue by the issuer CMF S.p.A., to which Rekeep S.p.A. is a party as Borrower, for a credit line at sight, in a maximum nominal amount of € 50 million until 15 December 2021. The facility was activated for a half-year on 23 March 2020 and subsequently renewed on 20 September 2020 for an additional half-year in order to meet temporary cash requirements (if any), including in relation to the difficult economic situation that is accompanying the Covid-19 emergency in Italy.

The Super Senior Revolving loan agreement provides for compliance with a financial covenant, which is preliminary to the possible use of the line granted. This financial covenant is in line with the market practice for similar financing transactions and is recognized on a quarterly basis on the basis of the consolidated data relating to the last 12 months, as resulting from the

financial position, results of operations and cash flows approved during the quarter prior to the date of the application for use of the credit facility.

Furthermore, at 30 September 2020 there was the recognition of accrued expenses on loans in a total amount of € 8.9 million (of which € 8.8 million related to the amount accrued on the bond coupon due 15 December 2020) and prepaid financial expenses of € 0.5 million, of which an amount of € 0.3 million relating to the remaining amount of costs to be amortised for obtaining the Revolving Credit Facility. Financing costs (equal to € 1.0 million upon issue) are indeed amortized on a straight-line basis throughout the entire term of the credit facility and this amortization had an impact of € 0.2 million on the first 9 months of 2020.

As at the closing date of the period short-term uncommitted credit lines had been used for hot money and advance payments on invoices (in order to meet peaks in temporary cash requirements linked to the physiological performance of operations) of € 8.1 million, against a balance of € 2.4 million at 31 December 2019. Furthermore, Rekeep S.p.A. used credit facilities for the assignment of trade receivables with recourse in place with Unicredit Factoring S.p.A. and Banca Sistema concerning receivables from customers in the Public sector market. During the first 9 months of 2020 assignments were made in an overall nominal amount of € 25.2 million and the facilities had been used for € 12.2 million at 30 September 2020 (€ 23.7 million at 31 December 2019). The Polish subsidiary Naprzód also reported payables for assignments of receivables with recourse equal to € 0.9 million (€ 4.4 million at 31 December 2019). As at 30 September 2020 a liability was also stated for € 2.4 million relating to reverse factoring lines of Rekeep S.p.A. with Unicredit Factoring and Banca Farmafactoring, used to ensure a greater amount of overdraft facilities on some major suppliers.

The Group companies collected amounts of € 8.5 million at 30 September 2020 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, as at 31 December 2019 “Other financial liabilities” 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, fully paid during 2020.

Furthermore, payables were recognized for the acquisition of investments for a total amount of € 8.4 million, mainly relating to the deferred price for the acquisition of Naprzód S.A. (€ 7.2 million) to which must be added the residual debt for the acquisitions carried out by the latter prior to joining the Rekeep Group (€ 1.1 million at 30 September 2020).

The financial liability relating to the discounted value of future lease payments to be made on property and operating leases amounted to € 39.8 million at 30 September 2020 against € 42.9 million at 31 December 2019. In consideration of these agreements, payments were made as a reduction in the liability for € 5.9 million during 2020, while new agreements were entered into and rentals were revalued for a present value of € 3.7 million upon recognition. Finally, differences arose for early termination for € 0.9 million. On the other hand, a residual debt was recognized against finance leases at the reporting date, equal to € 6.5 million (€ 5.9 million at 31 December 2019), of which an amount of € 3.9 million for properties and equipment of the Laundering&Sterilization SBU and an amount of € 2.6 million relating to the Facility Management SBU.

Finally, the balance of short-term financial assets increased by € 2.3 million during 2020, mainly due to a change in the balances of pledged current accounts used within the scope of the aforementioned agreements for the assignment of trade receivables without recourse, for which the parent company Rekeep S.p.A. manages the collection service (+ € 1.0 million). Furthermore, financial receivables at 30 September 2020 included amounts claimed from factoring firms for the balances of the bank accounts subject to pledge, on which collection services are operated (€ 2.8 million) and from these firms for receipts that they unduly collected on receivables not included in the assignments carried out (€ 0.9 million). Finally, this item includes the receivable for the price adjustment of the acquisition of the Polish company Naprzód S.A. on the closing date (€ 1.6 million at 30 September 2020).

## 3. UPDATE ON LEGAL PROCEEDINGS

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

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

During the year the administrative dispute which related to the fine of € 48.5 million imposed by the Competition Authority (AGCM) on 20 January 2016 on the Parent Company Rekeep S.p.A. (formerly Manutencoop Facility Management S.p.A.) continued. It was due to the alleged breach of competition rules on the part of some companies that had taken part in the 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 Regional Administrative Court and by the Council of State, the Authority adopted a measure, which definitively provided for a new calculation of the fine, setting it at € 14.7 million. Against the Council of State's judgment that had confirmed the existence of the understanding established by the Competition Authority the Company filed an appeal with the Supreme Court for jurisdiction reasons, which was declared as inadmissible on 18 January 2019. An appeal was also lodged against this new order issued by the Competition Authority for the redetermination of the fine before the Lazio Regional Administrative Court and the hearing for the discussion of the merits has been scheduled for 7 October 2020. The Company is waiting for the Court to make its decision. The Company is regularly paying 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.

Subsequently, on 16 June 2017 Consip officially informed Rekeep S.p.A. of its own decision concerning the exclusion of the Company from the tenders for new agreements relating to cleaning services of barracks ("Consip Caserme") and to cleaning services with health service providers ("Consip Sanità"), with the intention to also confiscate, in this last case, the surety given by the Company during the tender for the amount of approximately € 10.4 million (bid bond). However, on 13 July 2017 and on 14 September 2017 respectively, the Lazio Regional Administrative Court ordered the suspension of the measures of exclusion, deferring the decision on the merits of the appeal to the hearing of 21 February 2018. In this venue the Company had its appeal

rejected and, on 10 March 2018, an appeal with the Council of State was served, while submitting a request for precautionary measure from a single-member court and for suspension of the enforcement of the challenged order.

Following the judgment handed down by the Council of State on 16 January 2020, whereby the abovementioned appeal was rejected, Consip S.p.A. asked the guarantors to enforce the guarantees (bid bonds) provided in the interest of Rekeep for the Consip Sanità tender (equal to € 10.4 million) and Consip Caserme (equal to € 3.4 million). Rekeep S.p.A., with independent appeals and additional grounds, challenged these measures before the Lazio Regional Administrative Court and obtained a single-member board's Presidential decree suspending them until the hearing of 4 March 2020 before the Regional Administrative Court, which confirmed the suspension until the hearing on the merits scheduled for 1 July 2020, in relation to which the Company is waiting for the filing of the related decision. Finally, on 28 July 2020, one of the guarantors (Atradius) served on Rekeep an appeal before the Civil Court of Rome under Article 702-*bis* in order to obtain the payment of the sums relating to the sureties provided for the Consip Sanità tender, pending the enforcement on the part of Consip. The first appearance hearing has been scheduled on 24 March 2021.

In relation to the above-mentioned exclusions, ANAC (*Autorità Nazionale Anti Corruzione*, National Anti-Corruption Authority) decided to open two proceedings concerning their entry in the electronic criminal records of ANAC, as "Useful information". These proceedings, which were initially suspended by ANAC until the outcome of the proceedings on the merits and proceedings for the application of disqualification measures, have been resumed and must be completed within 180 days from 15 May 2020. The hearing of the parties before ANAC was held on 16 July.

Finally, on 6 March 2020 Consip S.p.A. informed the Company of the exclusion from the tender for the cleaning of museum premises ("Consip Musei"), with the intention of sending the document to ANAC, which may proceed with the entry in the electronic criminal records of "Useful information". On 13 March 2020 a request was also sent for the enforcement of the bid bond relating to this tender (equal to € 2.8 million). The Company challenged this exclusion before the Lazio Regional Administrative Court, asking for its effects to be suspended. On 22 April 2020 the Lazio Regional Administrative Court approved the suspension limited to the enforcement of the sureties and set the hearing on the merits for 21 October 2020. The Company is waiting for the filing of the ruling.

The Consip Sanità, Consip Caserme and Consip Musei tenders did not generate consolidated Revenues until 30 September 2020 and were not included in the Group's backlog at 30 September 2020.

The dispute concerning the fine imposed in relation to the FM4 Tender still continued in 2020.

On 23 March 2017, the Competition Authority notified Manutencoop Facility Management S.p.A. (now Rekeep S.p.A.) of the start of an investigation procedure against the Company, as well as against CNS – Consorzio Nazionale Servizi Società Cooperativa, Dussmann Service, S.r.l., Engie Servizi S.p.A. (formerly Cofely Italia S.p.A.), ManitalIdea S.p.A., Romeo Gestioni S.p.A. and STI S.p.A. and subsequently extended to Exitone S.p.A, Manital Società Consortile per i Servizi Integrati per Azioni Consorzio Stabile, Manital S.c.p.a, Gestione Integrata S.r.l, Kuadra S.r.l in Liquidation, Esperia S.p.A, Engie Energy Services International SA, Veolia Energie International SA, Romeo Partecipazioni S.p.A, Finanziaria Bigotti S.p.A., Consorzio Stabile Energie Locali S.c.a.r.l. to ascertain whether those companies put in place a possible anti-competitive agreement whose subject matter consisted of the coordination of the procedures for taking part in the tender called by Consip in 2014 for

awarding the facility management services intended for properties mainly for office use of the Public Administration (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 fine of € 91.6 million on the Company.

The hearing for discussing the merits on the appeal filed with the Lazio Regional Administrative Court on 3 July 2019, which had been initially scheduled on 6 May 2020, was postponed at the Company's request to 10 June 2020 due to the ongoing Covid-19 emergency. By judgment of 27 July 2020, the Lazio Regional Administrative Court partially granted the appeal filed by the Company, albeit confirming the Competition Authority's Order as regards the merits, in relation to grounds relating to the calculation of the fine and set the parameters for its new restatement. The Regional Administrative Court referred the documents to the Competition Authority for the calculation of the actual amount of the fine, based on the above-mentioned parameters, and the order for new calculation was served on 29 October 2020. The Company is, however, entitled to challenge both the Lazio Regional Administrative Court's judgment before the Council of State and the new fine as restated in this manner, before the Lazio Regional Administrative Court within the time limits prescribed by law. 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. he Company therefore considers that the measure is unjustified and declares that it is 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. While continuing to maintain confidence in the reasonableness of the grounds of the defence arguments, the Directors, expecting a probable financial outlay, have decided to set aside a specific provision for risks in the interim consolidated Financial Statements at 30 September 2020 for an amount equal to what is stated in the Competition Authority's order (€ 79.8 million), even in consideration of the uncertainties surrounding the actual outcome of the appeal against the regional Administrative Court's judgment and of any possible appeal on the merits on this new Competition Authority's order of 29 October 2020. Furthermore, the Company believes that the payment of any possible sums entered in the taxpayers' list may take place, as already occurred for the sums owed as guarantee in the first phase of the litigation, 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. Therefore, the amount set aside has been increased by 3% to take account of the collection costs expected (equal to € 2,394 thousand).

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 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 on 10 July 2019 for the suspension of only the enforcement of the temporary guarantees until the hearing on the merits scheduled on 15 July 2020, which was then postponed to 2 December 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 30 September 2020 are included in the explanatory notes (notes 15 and 16), to which reference is made.

## 4. SUBSEQUENT EVENTS AFTER THE END OF THE PERIOD

No significant events are reported which occurred after the end of the period.

## 5. BUSINESS OUTLOOK

The Group's operations in the first nine months of the 2020 financial year were marked by three distinct events:

- the consolidation of the Polish subsidiary Naprzód, which brings the impact of Revenues achieved in international markets to just under 13% of total consolidated Revenues of the Group;
- on the domestic market, there was a confirmation of a trend of improvement in the operating results of the Facility Management and Laundering&Sterilization operations, while also reporting a recovery in the third quarter of 2020 in the growth trend in volumes, which in the second quarter had suffered a setback after a period of slow but steady growth on a quarter-on-quarter basis that characterized the last two years;
- the effects of the health emergency resulting from the spread of the Covid-19 virus, with the lockdown that was imposed from the second decade of March 2020 and the subsequent evolution of the epidemiological curve in what is known as the second wave in October 2020.

In particular, as regards the latter point, a fourth quarter is expected which could be potentially characterised by uncertainty due to the new measures issued by the Government in early November in order to contain the contagion that has started to spread again.

However, as already occurred during the lockdown period in the last spring, it is expected that there could be again a reduction in work on the part of customers belonging to the sectors most affected by the new measures issued by the Government (public offices and private customers in almost total smart-working mode, closed museums, etc. ...); on the other hand, while considering the specific services offered by the Group, it is also expected that additional non-routine work will also continue, both due to the healthcare sector's needs to prepare for the second wave, and due to the new needs that require our customers to make workplaces and places open to the public suitable to comply with the new rules of living together that are now imposed by the health emergency.

As mentioned, the context of uncertainty makes it difficult to estimate the performance of operations in the last quarter of 2020; however, the trend that has characterized the Group's results in the last two years, together with potential opportunities connected with the type of operations carried out (in particular as regards environmental hygiene and maintenance of premises, as well as the sale of PPE), which already had positive effects in the first three quarters, as well as with the management's constant drive to reduce costs, are elements that lead to the expectation that consolidated revenues will remain substantially stable and will be accompanied by an improvement in profit margins, in terms of EBITDA, close to that recorded in the first 9 months of 2020.

In financial terms, we witnessed, during the first nine months of 2020, to the effects of the sale of Sicura, which took place in February and which entailed, in combination with the acquisition of Naprzód in the fourth quarter of 2019, a major step in the direction of deleverage, including on a prospective basis.

In addition to the information reported above, as at 30 September 2020 an increase was reported in net operating working capital compared to 31 December 2019, which was mainly due to a reduction in payment times to suppliers accompanied by a normal slowdown in receipts, net of the improvement effect resulting from the consolidation of Naprzód, while the Group's strong commitment to continuous improvement in collection times and containment of working capital remained unchanged. In any case, as at 30 September 2020, the flows of receipts did not seem to have been significantly affected by the health emergency that is currently involving our country. In this case too, while looking to the near future, it is not easy to predict the impact of scenarios entailing any possible reduction in the financial resources of our customers, which can be assumed in particular for private customers, or the need of third-party providers to have the payment times of their invoices further shortened in order to avoid them facing excessive tensions in financial terms. Net of these potential effects, which at present cannot be estimated reliably, the Group's objective is still to continue the path to deleverage, as stated on more than one occasion.

# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| *(in thousands of Euro)* | NOTES | 30 September 2020 | 31 December 2019 |
|---|---|---|---|
| **ASSETS** | | | |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 5 | 78,781 | 79,345 |
| Property, plant and equipment under lease | 6 | 44,794 | 47,146 |
| Goodwill | 7-8 | 390,048 | 387,778 |
| Other intangible assets | 7 | 21,510 | 26,823 |
| Investments accounted for under the equity method | 9 | 9,680 | 10,376 |
| Other investments | 10 | 6,958 | 4,957 |
| Non-current financial assets and other securities | 10 | 4,454 | 4,819 |
| Other non-current assets | 10 | 6,094 | 97,801 |
| Prepaid tax assets | | 15,810 | 16,026 |
| **TOTAL NON-CURRENT ASSETS** | | **578,129** | **675,071** |
| **CURRENT ASSETS** | | | |
| Inventories | | 10,235 | 7,910 |
| Trade receivables and advances to suppliers | 11 | 435,290 | 412,572 |
| Current tax receivables | | 11,799 | 10,090 |
| Other current assets | 11 | 29,212 | 31,054 |
| Current financial assets | 13 | 7,130 | 4,819 |
| Cash and cash equivalents | 13 | 110,873 | 97,143 |
| **TOTAL CURRENT ASSETS** | | **604,539** | **563,588** |
| Non-current assets classified as held for sale | 18 | 0 | 70,500 |
| **TOTAL NON-CURRENT ASSETS HELD FOR SALE** | | **0** | **70,500** |
| **TOTAL ASSETS** | | **1,182,668** | **1,309,159** |

| *(in thousands of Euro)* | NOTES | 30 September 2020 | 31 December 2019 |
|---|---|---|---|
| **SHAREHOLDERS' EQUITY** | | | |
| Share capital | | 109,150 | 109,150 |
| Reserves | | 12,827 | 5,710 |
| Retained earnings | | 30,286 | 33,825 |
| Profit (loss) attributable to equity holders of the Parent | | (84,142) | 3,285 |
| **EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT** | | **68,121** | **151,970** |
| Capital and reserves attributable to non-controlling interests | | 567 | 771 |
| Profit (loss) attributable to non-controlling interests | | 1,362 | 65 |
| **EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS** | | **1,929** | **836** |
| **TOTAL EQUITY** | **12** | **70,050** | **152,806** |
| **NON-CURRENT LIABILITIES** | | | |
| Employee termination indemnity | 14 | 11,251 | 12,443 |
| Provisions for risks and charges, non-current | 15 | 105,889 | 25,439 |
| Non-current loans | 13 | 367,811 | 396,759 |
| Deferred tax liabilities | | 16,378 | 16,393 |
| Other non-current liabilities | | 60 | 551 |
| **TOTAL NON-CURRENT LIABILITIES** | | **501,389** | **451,585** |
| **CURRENT LIABILITIES** | | | |
| Provisions for risks and charges, current | 15 | 9,344 | 6,392 |
| Trade payables and contract liabilities | 17 | 382,023 | 405,950 |
| Current tax payables | | 3,188 | 1,280 |
| Other current liabilities | 17 | 104,084 | 192,465 |
| Bank borrowings, including current portion of long-term debt, and other financial liabilities | 13 | 112,590 | 71,830 |
| **TOTAL CURRENT LIABILITIES** | | **611,229** | **677,917** |
| Liabilities directly associated with assets held for sale | 18 | 0 | 26,851 |
| **TOTAL LIABILITIES DIRECTLY ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE** | | **0** | **26,851** |
| **TOTAL LIABILITIES** | | **1,182,668** | **1,309,159** |

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

| *(in thousands of Euro)* | NOTES | For the 9 months ended | |
|---|---|---|---|
| | | 30 September 2020 | 30 September 2019 restated |
| **REVENUES** | | | |
| Revenues from contracts with customers | | 771,573 | 690,328 |
| Other revenues | | 1,291 | 1,237 |
| **TOTAL REVENUES** | | **772,864** | **691,565** |
| **OPERATING COSTS** | | | |
| Costs of raw materials and consumables | | (132,123) | (109,598) |
| Change in inventories of finished and semi-finished products | | 1,291 | 1,063 |
| Costs for services and use of third-party assets | | (235,885) | (218,760) |
| Personnel costs | | (313,267) | (289,996) |
| Other operating costs | | (9,975) | (5,247) |
| Capitalisation of lower internal construction costs | | 1,059 | 2,188 |
| Amortization, depreciation, write-downs and write-backs of assets | 5-6-7 | (29,912) | (27,122) |
| Accrual of provisions for risks and charges | 15 | (87,432) | (1,436) |
| **TOTAL OPERATING COSTS** | | **(806,244)** | **(648,908)** |
| **OPERATING INCOME** | | **(33,380)** | **42,657** |
| **FINANCIAL INCOME AND EXPENSES** | | | |
| Share of net profit of associates | 9 | (6,689) | 338 |
| Dividends and income (loss) from sale of investments | | 147 | 782 |
| Financial income | | 1,939 | 2,573 |
| Financial charges | | (37,115) | (33,558) |
| Profit (loss) on exchange rate | | 194 | 5 |
| **Profit (loss) before tax** | | **(74,904)** | **12,797** |
| Income taxes, current , prepaid and deferred | | (9,994) | (8,281) |
| **Net profit (loss) from continuing operations** | | **(84,898)** | **4,516** |
| Profit (loss) from discontinued operations | 18 | 2,170 | 1,347 |
| **Profit (loss) for the period** | | (82,728) | 5,863 |
| Net profit (loss) for the period attributable to non- controlling interests | | (1,414) | (151) |
| **NET PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO THE GROUP** | | **(84,142)** | **5,712** |

| | For the 9 months ended | |
|---|---|---|
| | 30 September 2020 | 30 September 2019 restated |
| Basic earnings per share | (0.771) | 0.052 |
| Diluted earnings per share | (0.771) | 0.052 |
| Basic earnings per share from continuing operations | (0.791) | 0.040 |
| Diluted earnings per share from continuing operations | (0.791) | 0.040 |

## CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

| *(in thousands of Euro)* | NOTES | For the 9 months ended | |
|---|---|---|---|
| | | 30 September 2020 | 30 September 2019 restated |
| **NET RESULT FOR THE PERIOD** | | **(82,728)** | **5,863** |
| *Other components of the comprehensive income, which will be subsequently reclassified under profit/loss for the year:* | | | |
| Differences from translation of foreign financial statements | | 236 | (67) |
| Share of other comprehensive income of entities accounted for using the equity method, which will be subsequently reclassified under profit/loss for the year | 9 | (32) | (171) |
| **Other components of the comprehensive income for the period, which will be subsequently reclassified under profit/loss for the year** | | **204** | **(238)** |
| *Other components of the comprehensive income, which will not be subsequently reclassified under profit/loss for the year:* | | | |
| Actuarial gains (losses) on defined benefit plans | 10 | 96 | (454) |
| Income taxes | | 10 | 11 |
| **Net effect on actuarial gains (losses)** | | **106** | **(443)** |
| Share of other comprehensive income of entities accounted for using the equity method, which will not be subsequently reclassified under profit/loss for the year | **9** | (17) | (29) |
| **Other components of the comprehensive income for the period, which will not be subsequently reclassified under profit/loss for the year** | | **90** | **(472)** |
| **TOTAL OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAXES** | | **294** | **(710)** |
| **COMPREHENSIVE INCOME (LOSS), NET OF TAXES** | | **(82,434)** | **5,153** |
| Equity holders of the Parent | | (83,625) | 5,173 |
| Non-controlling interests | | 1,191 | (20) |

## CONSOLIDATED STATEMENT OF CASH FLOWS

| *(in thousands of Euro)* | NOTES | For the 9 months ended | |
|---|---|---|---|
| | | 30 September 2020 | 30 September 2019 restated |
| **Net result from continuing operations** | | **(84,898)** | **4,516** |
| Income taxes for the period | | 9,994 | 8,281 |
| **Profit before tax for the period** | | **(74,904)** | **12,797** |
| Profit (loss) from discontinued operations for the period | | 2,170 | 1,347 |
| Capital gains (losses) from disposal on equity investments | | (13,589) | 0 |
| Other unrealised write-downs on discontinued operations | | 405 | 0 |
| Amortization, depreciation, write-downs and (write-backs) of assets | | 30,106 | 28,144 |
| Accrual (reversal) of provisions for risks and charges | | 87,440 | 1,418 |
| Employee termination indemnity provision | | 404 | 743 |
| Payments of employee termination indemnity | | (1,342) | (1,651) |
| Utilization of provisions | | (4,562) | (3,183) |
| Share of net profit of associates, net of dividends collected | | 6,689 | (140) |
| Financial charges (income) for the period | | 35,357 | 31,201 |
| **Operating cash flows before movements in Working Capital** | | **68,173** | **70,677** |
| *Of which relating to discontinued operations* | | (8,141) | 1,312 |
| *Of which relating to continuing operations* | | 76,314 | 69,365 |
| Decrease (increase) of inventories | | (2,944) | (2,037) |
| Decrease (increase) of trade receivables and advances to suppliers | | (27,496) | (8,763) |
| Decrease (increase) of other current assets | | 40 | (6,734) |
| Increase (decrease) in trade payables | | (18,983) | (13,361) |
| Increase (decrease) of other current liabilities | | 3,151 | (441) |
| **Change in Working Capital** | | **(46,232)** | **(31,338)** |
| Net interests received (paid) in the period | | (20,486) | (19,122) |
| Income taxes paid in the period | | (10,598) | (1,465) |
| **Net cash flow from operating activities** | | **(9,143)** | **18,752** |
| (Purchase of intangible assets, net of sales) | 7 | (3,364) | (6,110) |
| (Purchase of property, plant and equipment) | 5-6 | (18,525) | (19,140) |

| *(in thousands of Euro)* | NOTES | For the 9 months ended | |
|---|---|---|---|
| | | 30 September 2020 | 30 September 2019 restated |
| Proceeds from sale of property, plant and equipment | 5-6 | 287 | 231 |
| Disposal (acquisition) of investments | | (2,089) | 7,985 |
| Decrease (increase) of financial assets | | (2,886) | 1,276 |
| Financial effects of business combinations | | (115) | (1,978) |
| Discontinuing operations | 18 | 55,245 | 45 |
| **Net cash flow from (used in) investing activities** | | **28,554** | **(17,693)** |
| Change in finance lease debt | 13 | 670 | (49) |
| New (repayment of) operating leases | 13 | (6,812) | (5,700) |
| Opening of medium- and long-term borrowings | 13 | 50,233 | 2,294 |
| Repayment of medium- and long-term borrowings | 13 | (24,950) | (11,671) |
| Net opening (repayment) of short-term bank credit lines | 13 | 5,686 | (4,449) |
| Other net changes in borrowings | 13 | (18,064) | (465) |
| Dividends distributed | | (13,000) | 0 |
| (Purchase) /sale of subsidiaries' minority shareholdings | | 321 | (0) |
| Differences arising from translation of financial statements in foreign currency | | 620 | (61) |
| **Net cash flow from / (used in) financing activities** | | **(5,297)** | **(20,100)** |
| **Change in cash and cash equivalents** | | **14,115** | **(19,040)** |
| Cash and cash equivalents at the beginning of the period | | 97,143 | 94,733 |
| Change in cash and cash equivalents | | 14,115 | (19,040) |
| Translation differences on cash and cash equivalents | | (384) | (7) |
| **Cash and cash equivalents at the end of the period** | | **110,873** | **75,686** |
| **Details of cash and cash equivalents:** | | | |
| Cash and bank current accounts | | 110,873 | 75,686 |
| **TOTAL CASH AND CASH EQUIVALENTS** | | **110,873** | **75,686** |

## SUPPLEMENTARY INFORMATION

| *(in thousands of Euro)* | For the 9 months ended | |
|---|---|---|
| | 30 September 2020 | 30 September 2019 restated |
| Interest paid | (22,418) | (21,675) |
| Interest received | 1,931 | 2,553 |
| Dividends paid | (13,000) | 0 |
| Dividends received | 147 | 396 |

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

| | Share Capital | Reserves | Retained Earnings | Net Result of the period | Equity attributable to Equity holders of the Parent | Equity attributable to non-controlling interests | Total shareholders' equity |
|---|---|---|---|---|---|---|---|
| **1 January 2020** | **109,150** | **5,710** | **33,824** | **3,285** | **151,970** | **836** | **152,806** |
| Allocation of prior year result | | 6,601 | (3,316) | (3,285) | **0** | | **0** |
| Acquisition/sale of minority interests in subsidiaries | | | (222) | | **(222)** | (98) | **(320)** |
| Total comprehensive income (loss) for the period | | 516 | | (84,142) | **(83,627)** | 1,191 | **(82,436)** |
| **30 September 2020** | **109,150** | **12,827** | **30,286** | **(84,142)** | **68,121** | **1,929** | **70,050** |

| | Share Capital | Reserves | Retained Earnings | Net Result of the period | Equity attributable to Equity holders of the Parent | Equity attributable to non-controlling interests | Total shareholders' equity |
|---|---|---|---|---|---|---|---|
| **1 January 2019** | **109,150** | **5,029** | **34,911** | **15,734** | **164,824** | **668** | **165,492** |
| Effects of changes in accounting standards | | (1,769) | (704) | | **(2,472)** | (8) | **(2,480)** |
| **1 January 2019 Restated** | **109,150** | **3,260** | **34,207** | **15,734** | **162,352** | **660** | **163,012** |
| Allocation of prior year result | | 16,163 | (429) | (15,734) | **0** | | **0** |
| Total comprehensive income (loss) for the period | | (835) | | 5,712 | **4,876** | 130 | **5,005** |
| **30 September 2019** | **109,150** | **18,588** | **33,778** | **5,712** | **167,228** | **790** | **168,018** |

# CONDENSED EXPLANATORY NOTES

## 1. GENERAL INFORMATION

The Interim Report on Operations of the Group controlled by Rekeep S.p.A. ("the Rekeep Group" or "the Group") for the 9 months ended 30 September 2020 consists of the Interim Report on Operations and of the condensed Consolidated Interim Financial Statements, which were prepared in the application of IAS 34 – Interim Financial Reporting. The publication of the Rekeep Group's Interim Report on Operations was authorized by a resolution passed by the Board of Directors' meeting of 12 November 2020.

On 30 September 2020 the share capital of Parent Company Rekeep S.p.A. was wholly held by the sole shareholder Manutencoop Società Cooperativa, which carries out Management and Coordination activities.

## 2. ACCOUNTING STANDARDS AND BASIS OF PRESENTATION

The condensed consolidated interim Financial Statements at 30 September 2020 comprise the Consolidated Statement of financial position, the Consolidated Statement of profit or loss, the Consolidated Statement of other comprehensive income, the Consolidated Statement of cash flows, the Consolidated Statement of changes in Shareholders' Equity and the Condensed explanatory notes.

The amounts presented in the Statements and in the explanatory Notes are compared with those as at 31 December 2019, while the economic values included in the Statement of other Comprehensive Income and in the Statement of Cash Flows are compared with those in the first 9 months of 2019.

On 13 February 2020 a binding agreement was signed for the sale of the total share capital of the subsidiary Sicura S.p.A.. According to IFRS5, at the reporting date of the Consolidated Financial Statements at 31 December 2019, the value of assets relating to the sub-group controlled by Sicura S.p.A. and the associated liabilities was reclassified under "Assets held for sale" and "Liabilities associated with assets held for sale". Again according to the same accounting standard, the transaction was described as "Discontinued operation" in the interim condensed Consolidated Financial Statements at 30 September 2020 and the results of operations for the period until the date of disposal were recognized as "Profit (loss) from discontinued operations". Likewise, the respective comparative results of operations were restated and reclassified to the same item of the income statement. For more details on the effects of this restatement, reference should be made to note 3.

The condensed consolidated interim Financial Statements at 30 September 2020 were prepared on a historical cost basis, except for the derivative financial instruments that have been measured at fair value.

After assessing the possible uncertainties regarding the Company's ability to continue as a going concern, including liquidity and other market risks associated with the proceedings in progress described in the explanatory notes, the directors decided to prepare the financial statements on a going-concern basis..

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

The condensed consolidated interim Financial Statements at 30 September 2020 have been presented in Euro, which is the Group's functional currency. All values showed in the statements and in the condensed explanatory notes are in thousands of Euro, unless otherwise stated.

## 2.1 Statement of compliance with international accounting standards (IFRS)

The condensed consolidated interim Financial Statements at 30 September 2020 have been prepared in compliance with IAS 34 - Interim Financial Reporting. The condensed consolidated interim Financial Statements do not include all the information required for the complete annual financial statements prepared according to IAS 1, and must be read together with the Consolidated Financial Statements at 31 December 2019.

## 2.2 Changes in accounting standards and disclosures

The criteria adopted for the preparation of the condensed consolidated interim Financial Statements at 30 September 2020 are consistent with those used to prepare the consolidated Financial Statements at 31 December 2019, to which reference is made for their detailed presentation, with the exception of the standards and interpretations which are newly issued and applicable from 1 January 2020.

The Group has not proceeded with the early adoption of any standard, interpretation or improvement issued but not yet mandatorily in force.

### *New or revised IFRS and interpretations applicable from 1 January 2020 or subsequent financial periods*

The IASB has issued amendments to some existing standards, applicable from 1 January 2020:

- *IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates.* The IASB has clarified the definition of "materiality" in order to support the application of the standard. The amendments will become applicable from the financial periods ending after 1 January 2020, with early adoption permitted;
- *IFRS 3 - Business Combinations.* The amendments are aimed at clarifying the definition of a business. The entities shall apply the amendments from the financial periods ending after 1 January 2020;
- *IFRS 7 - Financial Instruments: Disclosures, IFRS 9 - Financial Instruments and IAS 39 - Financial Instruments*: *Recognition and Measurement*. On 26 September 2019 the International Accounting Standards Board published the Interest Rate Benchmark Reform (amendments to IFRS 9, IAS 39 and IFRS 7) in order to take account of the consequences of the reform on financial reporting in the period preceding the replacement of an existing interest rate benchmark with an alternative reference rate. The amendments provide for temporary and limited exceptions to the provisions governing hedge accounting. The entities shall apply the amendments from the financial periods ending after 1 January 2020.
- *Amendments to references to the Conceptual Framework in IFRS Standards*. On 29 March 2018 the IASB published these amendments with the aim of improving both the definitions of "assets" and "liabilities" and the process for their measurement, derecognition and reporting. The document also clarifies key concepts such as the identification of the users of financial statements and the objectives that the financial statements are intended to achieve, as well as deals with the issue of prudence and uncertainty in measurements for disclosures in financial statements;
- *Amendment to IFRS 16 Leases - Covid 19-Related Rent Concessions*. On 28 May 2020 the IASB published an amendment clarifying that the lessee may consider, as a practical expedient, that specific rent reductions (as a direct consequence of Covid-19 virus) may not be regarded as lease modifications and therefore account for them accordingly. This amendment will be applicable from 1 June 2020, but it may be applied by the lessees in advance from 1 January 2020 and was endorsed on 9 October 2020.

The application of these amendments has not had any significant impact on the Consolidated Financial Statements.

### *New accounting standards and amendments not yet applicable and not early adopted by the Group*

*Amendments to IAS 1 - "Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current.* On 23 January 2020 the IASB published these amendments in order to clarify the presentation of liabilities in the financial statements of entities. Specifically they: (i) clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and in particular on the right to defer settlement by at least twelve months; (ii) clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; (iii) make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The new amendments will be applicable from 1 January 2023 (with the IASB's decision to postpone the date of first-time adoption, which was previously scheduled on 1 January 2022).

*Amendments to IFRS 3 - "Business combinations", IAS 16 - "Property, Plant and Equipment", IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", Annual Improvements 2018-2020*. On 14 May 2020 the IASB published a package of amendments that clarify and make minor changes to the following IFRS:

- *IFRS 3:* Updating a reference to the Conceptual Framework (no change in the accounting treatment of business combinations);
- *IAS 16*: the amendment prohibits an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the entity is preparing the asset for its intended use. The entity must recognise such sales as revenues separately from related costs through profit or loss;
- *IAS 37*: the amendment clarify the costs to be included in the measurement of losses generated from a contract.

The new amendments will become applicable from 1 January 2022.

*Amendments to IFRS 4 "Insurance Contracts - Deferral of effective date of IFRS 9":* On 25 June 2020 the IASB published an amendment to support entities in the implementation of the new standard and to make it easier to report their financial performance. The new amendment will be applicable from 1 January 2021.

*IFRS 7 - Financial Instruments: Disclosures, IFRS 9 - Financial Instruments* and *IAS 39 - Financial Instruments: Recognition and Measurement*. On 27 August 2020 the International Accounting Standards Board published the Interest Rate Benchmark Reform (amendments to IFRS 9, IAS 39 and IFRS 7) – Phase 2 in order to take account of the impact of the reform itself on financial reporting in the period preceding the replacement of an existing interest rate benchmark with an alternative reference rate. The amendments provide for temporary and limited exceptions to the provisions governing hedge accounting. The entities shall apply the amendments as from the financial periods ending after 1 January 2021.

*IFRS17 – Insurance Contracts:* On 18 May 2017 the IASB published IFRS 17 - Insurance contracts. The new accounting standard aims to help investors, but not only investors, to better understand the insurers' risk exposure, profitability and financial position. On 25 June 2020 the IASB amended the IFRS 17, which had been issued in May 2017, in order to facilitate the implementation of the standard and make it easier to describe financial results. 'IFRS 17, including its amendments, will be applicable to annual financial statements for financial periods commencing after 1 January 2023. No significant impact is expected from the application of the new standard on the Consolidated Financial Statements, as the Group companies do not conduct any insurance business.

## 2.3 Discretionary assessments and significant accounting assumptions

The preparation of the consolidated Financial Statements requires Directors to make discretionary assessments, estimates and assumptions that affect the amounts of revenues, costs, assets and liabilities, and the indication of contingent liabilities at the

date of the financial statements. However, the uncertainty of these assumptions and estimates could lead to outcomes which may require a significant adjustment to the carrying amount of said assets and/or liabilities in the future.

## Discretionary assessments

The main decisions taken by the Directors on the basis of discretionary assessments (excluding those relating to accounting estimates), in the application of the accounting standards of the Group, with a significant effect on the values recognized in the accounts relate to the adoption, starting from 2007, of the continuity of values principle for the recognition of business combinations under common control. Application of this principle gives rise to the recognition in the statement of financial position of values equal to those that would be recorded if the companies involved in the business combination had always been combined. The net assets of the acquired entity and the acquiring entity are therefore recorded on the basis of the carrying amounts included in their respective accounts before the transaction.

## Uncertainty of estimates

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

### *Impairment test*

Goodwill is subject to impairment test at least annually, or more frequently if there is an indication of potential impairment in the carrying amounts. This requires an estimate of the value in use of the CGU (cash-generating unit) to which the goodwill is allocated, in turn based on an estimate of expected cash flows from the CGU and their discounting on the basis of a suitable discount rate. At 30 September 2020 the carrying amount of the goodwill stood at € 390,048 thousand (€ 387,788 thousand at 31 December 2019). More details are given in note 8.

### *Recognition of revenues and costs relating to contract assets with customers*

The Group uses the percentage of completion method to account for assets on long-term contracts concerning the construction and upgrading of properties or technological systems for which it carries out construction works. The amount of profit margins recognised in the income statement depends on both the progress of work on the contract and the profit margins which it is believed will be recognised on the entire work upon its completion; therefore, the correct recognition of work in progress and profit margins relating to works that have not yet been completed assumes the Directors' correct estimate of final costs and the expected increases, as well as of the delays, additional costs and penalties which could reduce the expected margin. The use of the percentage of completion method requires the Group to estimate completion costs, which involves making estimates that depend on factors that may change over time and could therefore have a significant impact with respect to present values. If the actual cost differs from the estimated cost, this change will have an impact on the results of future financial periods.

### *Deferred tax assets and their probable future reversal*

Deferred tax assets are recognised to the extent that it is probable that in the future there will be a taxed profit such as to allow the use of losses. A significant estimation activity is required of the management staff to calculate the amount of tax assets that can be recognised based on future taxable profits, the timing of their occurrence and tax planning strategies.

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

The Group holds majority interests in subsidiaries in relation to which the minority shareholders hold PUT options, which can be exercised in the future at prices determined on the basis of certain parameters that require estimates by management for the purposes of reliable valuation.

### *Income taxes for the period*

The income taxes for the period have been recognized by applying the best estimate of the expected weighted-average tax rate for the entire current financial year to the results for the period. A separate estimate is determined for IRES and IRAP tax, as provided by IAS 34 B.14. The amounts allocated for taxes in the interim period are adjusted in subsequent interim periods of the same year pursuant to any changes in the estimated annual tax rate.

### *Other financial position items*

Management also needed to use estimates in determining:

- main assumptions applied to the actuarial valuation of the TFR (employee benefits), such as the future turnover rate and discount financial rates;
- assumptions applied to the valuation of the Right of Use obligations.

## Consolidation principles

The Condensed Consolidated Interim Financial Statements include the financial statements of Rekeep S.p.A. ("the Parent Company", "Rekeep S.p.A." or simply "Rekeep") and its subsidiaries, prepared as at 30 September 2020. The financial statements of the subsidiaries have been prepared by adopting for each closing date the same accounting standards as those applied for the parent company.

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

Subsidiaries are fully consolidated starting from the acquisition date, i.e. the date on which the Group acquires control, and are deconsolidated on the date in which control is transferred out of the Group. Acquisitions of subsidiaries, with the exception of

those deriving from combinations of entities subject to common control, are accounted for using the purchase method. This involves the allocation of the cost of the business combination to the fair values of assets, liabilities and contingent liabilities acquired at the acquisition date and the inclusion of the result of the company acquired starting from the date of acquisition until the end of the fiscal year. If the Group loses control over an investee company, it eliminates the related assets (including goodwill), liabilities, minority interests and other equity components, while any profit or loss is recognised in the income statement. Any equity investment retained is recognised at fair value.

Joint-ventures with other shareholders and associates are accounted for under equity method. Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Minority interests represent the portion of profits or losses and net assets not held by the Group and are disclosed under a separate item in the consolidated Statement of profit or loss and in the Consolidated Statement of Financial Position under Equity items, separately from the Group's Equity.

### *Conversion of financial statements of foreign companies*

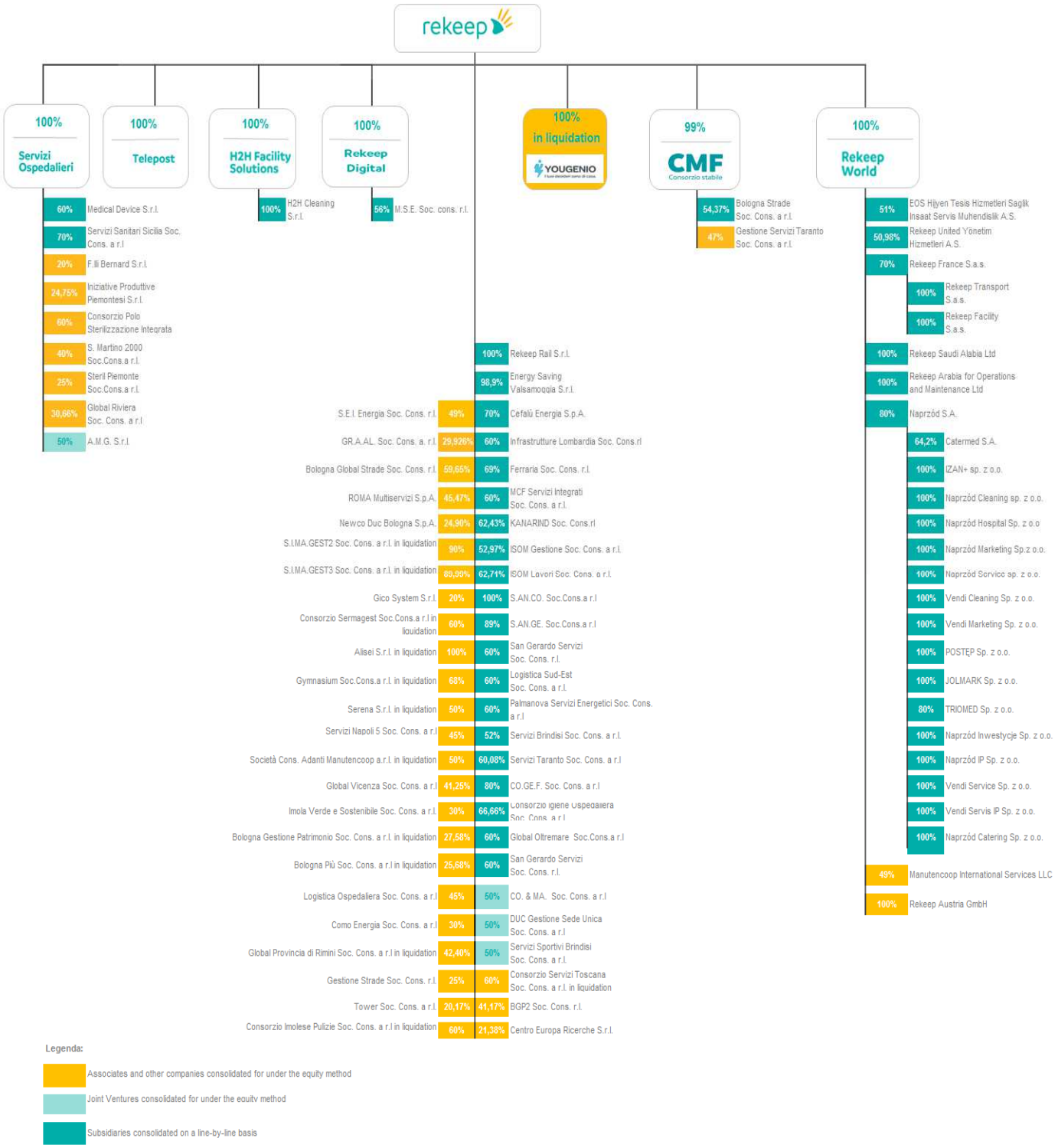
The financial statements have been presented in Euro, which is the functional and reporting currency adopted by the Group. The income statements and balance sheets expressed in foreign currency are converted into Euros applying the year-end exchange rates for the items in the Statement of financial position and average exchange rates for the items in the Income Statement. Differences arising from the conversion of opening shareholders' equity at year-end exchange rates are charged to the currency conversion reserve, together with the difference arising from the conversion of the result for the period at average exchange rate with respect to year-end exchange rates.

At the time of disposal of the economic entity from which translation differences emerged, the accumulated exchange differences reported in the statement of other comprehensive income are reclassified in the Consolidated Statement of Profit/ Loss for the period.

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

| **Currency** | | **Exchange rate at 30 September 2020** | **Average Exchange rate for the 9 months ended 30 September 2020** |
|---|---|---|---|
| PLN | Zloty - Poland | 4.5462 | 4.4220 |
| QAR | Qatar Riyal - Qatar | 4.2617 | 4.0951 |
| SAR | Saudi Arabian Riyal – Saudi Arabia | 4.3905 | 4.2189 |
| TRY | Turkish Lira - Turkey | 9.0990 | 7.5991 |

The consolidation area as at 30 September 2020 is shown below.



During the first 9 months of 2020 note the following events:

- the commencement of the winding-up procedure involving the Qatari company Manutencoop International Services LLC following the failure to start operations in the country;
- on 31 January 2020 the company Rekeep Austria GmbH was established, which is based in Wiener Neudorf (Austria) and is wholly owned by Rekeep World S.r.l.; it was put into liquidation as from July 2020 following the failure to start operations in the country;
- on 28 February 2020 there was the sale of the total share capital of Sicura S.p.A. to Argos Wityu, a pan-European Private Equity fund. The company sold is, in turn, the parent company of a sub-group including three other companies.
- on 4 June 2020 Rekeep S.p.A. acquired an additional 35.9% quota in Energy Saving Valsamoggia S.r.l. (in which it already held a majority interest);
- on 2 July 2020 the company Infrastrutture Lombardia Servizi S.c.a.r.l. was established, which is 60% owned by Rekeep S.p.A.;
- the winding-up procedure was started for MCF Servizi Integrati S.c.a.r.l. on 1 July 2020;
- on 7 September 2020 the company Cefalù Energia S.p.A. was established, which is 70% owned by Rekeep S.p.A.;
- the winding-up procedure was started for Yougenio S.r.l. on 22 September 2020.

Furthermore, it should be noted that Manutencoop Transport S.a.s. changed its name to Rekeep Transport S.a.s. with effect from 26 April 2020.

## 3. EFFECTS OF FIRST-TIME ADOPTION OF IFRS5

On 28 February 2020 the Parent Company Rekeep S.p.A. sold its entire investment in Sicura S.p.A., the Group's sub-holding company which operates in the facility management sector as a provider of specialist services in the fields of safety and fire prevention, to Argos Wityu, a pan-European Private Equity fund.

According 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. and the associated liabilities was reclassified to “Assets held for sale” and “Liabilities directly associated to assets held for sale”. Again according to the same accounting standard, the transaction was described as “Discontinued operation” in the interim condensed Consolidated Financial Statements at 30 September 2020 and the results of operations for the period until the date of disposal were recognized as “Profit (loss) from discontinued operations”. Likewise, the respective comparative results of operations were restated and reclassified to the same item of the income statement.

However, the first-time adoption of this standard did not entail any impact on the consolidated net Profit and consolidated equity.

The table below reports a reconciliation between the income statement balances at 30 September 2019 recognized in the Interim Condensed Consolidated Financial Statements at 30 September 2019 and the corresponding balances restated in application of IFRS5:

| | 30 September 2019 | Effects of adoption of IFRS 5 | 30 September 2019 restated |
|---|---|---|---|
| **Revenues** | | | |
| Revenues from contracts with customers | 718,818 | (28,490) | 690,328 |
| Other revenues | 1,298 | (61) | 1,237 |
| **Total revenues** | **720,116** | **(28,551)** | **691,565** |
| **Operating costs** | | | |
| Costs of raw materials and consumables | (115,498) | 5,900 | (109,598) |
| Change in inventories of finished and semi-finished products | 1,155 | (92) | 1,063 |
| Costs for services and use of third-party assets | (228,247) | 9,487 | (218,760) |
| Personnel costs | (299,656) | 9,660 | (289,996) |
| Other operating costs | (5,413) | 166 | (5,247) |
| Capitalisation of lower internal construction costs | 2,188 | 0 | 2,188 |
| Amortization, depreciation, write-downs and write-backs of assets | (28,144) | 1,022 | (27,122) |
| Accrual of provisions for risks and charges | (1,418) | (18) | (1,436) |
| **Total operating costs** | **(675,033)** | **26,125** | **(648,908)** |
| **Operating income** | **45,083** | **(2,426)** | **42,657** |
| **Financial income and expenses** | | | |
| Share of net profit of associates | 338 | 0 | 338 |
| Dividends and income (loss) from sale of investments | 782 | 0 | 782 |
| Financial income | 2,575 | (2) | 2,573 |
| Financial charges | (33,781) | 223 | (33,558) |
| Profit (loss) on exchange rate | 5 | 0 | 5 |
| **Profit (loss) before tax** | **15,002** | **(2,205)** | **12,797** |
| Income taxes, current , prepaid and deferred | (9,139) | 858 | (8,281) |
| **Net profit (loss) from continuing operations** | **5,863** | **(1,347)** | **4,516** |
| Profit (loss) from discontinued operations | 0 | **1,347** | **1,347** |
| **Profit (loss) for the period** | 5,863 | 0 | 5,863 |
| Net profit (loss) for the period attributable to non- controlling interests | (151) | 0 | (151) |
| **Net profit (loss) for the period attributable to the Group** | **5,712** | **0** | **5,712** |

The table below reports a reconciliation between the values shown in the interim condensed Consolidated Financial Statements at 30 September 2019 and the corresponding values restated to take account of the application of IFRS5 on comparative data relating to the items of the consolidated Statement of Cash Flows:

| *(in thousands of Euro)* | For the 9 months ended 30 September 2019 | Effects of adoption of IFRS 5 | For the 9 months ended 30 September 2019 restated |
|---|---|---|---|
| **Net profit (loss) from continuing operations** | **5,863** | **(1,347)** | **4,516** |
| Income taxes for the period | 9,139 | (858) | 8,281 |
| **Profit before tax** | **15,002** | **(2,205)** | **12,797** |
| *Profit (loss) from discontinued operations for the period* | 0 | 1,347 | 1,347 |
| *Capital gains (losses) on disposal on equity investments* | 0 | | 0 |
| Amortization, depreciation, write-downs and (write-backs) of assets | 28,144 | 0 | 28,144 |
| Accrual (reversal) of provisions for risks and charges | 1,418 | 0 | 1,418 |
| Employee termination indemnity provision | 743 | 0 | 743 |
| Payments of employee termination indemnity | (1,651) | 0 | (1,651) |
| Utilization of provisions for risks and charges | (3,183) | 0 | (3,183) |
| Share of net profit of associates, net of dividends collected | (140) | 0 | (140) |
| Financial charges (income) for the period | 31,201 | 0 | 31,201 |
| **Operating cash flows before movements in working capital** | **71,535** | **(858)** | **70,677** |
| *Of which relating to discontinued operations* | 0 | 1,312 | 1,312 |
| *Of which relating to continuing operations* | 71,535 | (2,170) | 69,365 |
| Decrease (increase) of inventories | (2,037) | 0 | (2,037) |
| Decrease (increase) of trade receivables | (8,763) | 0 | (8,763) |
| Decrease (increase) of other current assets | (6,734) | 0 | (6,734) |
| Increase (decrease) of trade payables | (13,361) | 0 | (13,361) |
| Increase (decrease) of other current liabilities | (441) | 0 | (441) |
| **Change in Working Capital** | **(31,338)** | **0** | **(31,338)** |
| Net interest received (paid) in the period | (19,122) | 0 | (19,122) |
| Income taxes paid in the period | (2,323) | 858 | (1,465) |
| **Net cash flow from operating activities** | **18,752** | **0** | **18,752** |
| (Purchase of intangible assets, net of sales) | (6,110) | 0 | (6,110) |
| (Purchase of property, plant and equipment) | (19,140) | 0 | (19,140) |

| *(in thousands of Euro)* | For the 9 months ended 30 September 2019 | Effects of adoption of IFRS 5 | For the 9 months ended 30 September 2019 restated |
|---|---|---|---|
| Proceeds from sales of property, plant and equipment | 231 | 0 | 231 |
| (Acquisition of investments) | 7,985 | | 7,985 |
| Decrease (increase) of financial assets | 1,276 | | 1,276 |
| Financial effects of business combinations | (1,978) | | (1,978) |
| Discontinued operations | 45 | | 45 |
| **Net cash flow from (used in) investing activities** | **(17,693)** | **0** | **(17,693)** |
| Change in finance lease debt | (49) | | (49) |
| New (repayment of) operating leases | (5,700) | | (5,700) |
| Proceeds from non-current borrowings | 2,294 | | 2,294 |
| Repayment of non-current borrowings | (11,671) | | (11,671) |
| Proceeds from/(repayment of) current borrowings | (4,449) | | (4,449) |
| Other net changes in borrowings | (465) | | (465) |
| Differences from financial statements translation in foreign currency | (61) | | (61) |
| **Net cash flow from / (used in) financing activities** | **(20,100)** | **0** | **(20,100)** |
| **Changes in cash and cash equivalents** | **(19,040)** | **0** | **(19,040)** |
| Cash and cash equivalents at the beginning of the period | 94,733 | | 94,733 |
| Changes in cash and cash equivalents | (19,040) | | (19,040) |
| Translation differences on cash and cash equivalents | (7) | | (7) |
| **Cash and cash equivalents at the end of the period** | **75,686** | **0** | **75,686** |
| **Details of cash and cash equivalents:** | | | |
| Cash and bank current accounts | 75,686 | | 75,686 |
| **TOTAL CASH AND CASH EQUIVALENTS** | **75,686** | **0** | **75,686** |

# 4. BUSINESS COMBINATIONS

## 4.1 Acquisition of Naprzód Catering Sp. z o.o. (ISS HS Sp. z o.o.)

On 11 August 2020 there was the completion of the acquisition of ISS HS Sp. z.o.o. from the Danish international ISS Global A/S group through the Polish subsidiary Naprzód for a consideration of PLN 705 thousand. The newly-acquired company, operating in hospital catering services in Poland, has about 160 staff and recorded revenues of € 4.2 million in 2019. Subsequently, the company changed its name to Naprzód Catering. The acquisition is part of a medium-term strategy designed for a consolidation of the Polish group's activities in the specific sector or segment, while enabling substantial cost synergies to be obtained and additional market shares to be acquired at a local level.

*Accounting effects of the acquisition*

The acquisition transaction can be described as a business combination: the Group has therefore applied IFRS 3 in reporting it in the accounts. The consideration for the acquisition of the investment is equal to € 705 thousand, which was paid in full to the transferor on 30 September 2020.

The table below shows the value of the acquiree's assets and liabilities as at the date of acquisition, as well as the difference between acquisition and book values in relation to the transaction and the net cash used in the acquisition:

| | Recognized value | Book value |
|---|---|---|
| **ASSETS** | | |
| **NON-CURRENT ASSETS** | | |
| Property, plant and equipment | 56 | 56 |
| Other intangible assets | 1 | 1 |
| Other non-current assets | 9 | 9 |
| Prepaid tax assets | 29 | 29 |
| **TOTAL NON-CURRENT ASSETS** | **95** | **95** |
| **CURRENT ASSETS** | | |
| Inventories | 24 | 24 |
| Trade receivables and advances to suppliers | 1,251 | 1,251 |
| Other current assets | 31 | 31 |
| Cash and cash equivalents | 40 | 40 |
| **TOTAL CURRENT ASSETS** | **1,346** | **1,346** |
| **TOTAL ASSETS** | **1,441** | **1,441** |
| **LIABILITIES** | | |

| | Recognized value | Book value |
|---|---|---|
| **NON-CURRENT LIABILITIES** | | |
| Deferred tax liabilities | 2 | 2 |
| **TOTAL NON-CURRENT LIABILITIES** | **2** | **2** |
| **CURRENT LIABILITIES** | | |
| Short-term loans | 764 | 764 |
| Trade payables and contract liabilities | 247 | 247 |
| Other current liabilities | 274 | 274 |
| **TOTAL CURRENT LIABILITIES** | **1,284** | **1,284** |
| **TOTAL LIABILITIES** | **1,286** | **1,286** |
| | | |
| **FAIR VALUE OF NET ASSETS** | **155** | **155** |
| **GOODWILL FROM BUSINESS COMBINATION** | **0** | |
| | | |
| ***Total cost of business combination:*** | | |
| Consideration paid to the assignor at closing | 155 | |
| **TOTAL COST OF THE BUSINESS COMBINATION** | **155** | |
| | | |
| ***Net cash of acquisition:*** | | |
| Cash and cash equivalents of the acquire | 40 | |
| Consideration paid to the assignor | (155) | |
| **NET CASH OF ACQUISITION** | **(115)** | |

The fair value of assets and liabilities acquired through the business combination amounted to € 155 thousand, equal to the transaction cost. Net cash absorbed by the business combination amounted to € 115 thousand.

The difference between the purchase cost and book value of the net assets arising from the business combination did not generate Goodwill.

The company has contributed an amount of € 568 thousand to the Group's revenues as from the date of acquisition.

## 5. PROPERTY, PLANT AND EQUIPMENT

The table below shows the changes in the company-owned property, plant and equipment in the period ended 30 September 2020.

| | Property | Plant and equipment | Total |
|---|---|---|---|
| **At 1 January 2020, net of accumulated depreciation and impairment** | **17,032** | **62,313** | **79,345** |
| Business combinations | 0 | 55 | 55 |
| Additions from acquisitions | 244 | 16,851 | 17,095 |
| Disposals | | (287) | (287) |
| Depreciation for the period | (788) | (14,561) | (15,349) |
| Others | 1,756 | (3,832) | (2,076) |
| **At 30 September 2020** | **18,244** | **60,539** | **78,783** |
| At 1 January 2020 | | | |
| Historical cost | 20,432 | 398,809 | 419,241 |
| Accumulated depreciation and impairment losses | (3,400) | (336,497) | (339,896) |
| **NET BOOK VALUE** | **17,032** | **62,313** | **79,345** |
| At 30 September 2020 | | | |
| Historical cost | 22,432 | 411,582 | 434,014 |
| Accumulated depreciation and impairment losses | (4,188) | (351,043) | (355,231) |
| **NET BOOK VALUE** | **18,244** | **60,539** | **78,783** |

The additions from acquisitions in the first half of the year mainly relate to the linen in the *Laundering&Sterilization* segment for € 10,624 thousand and to the purchases of other machinery and specific equipment for € 6,470 thousand, of which an amount of € 1,059 thousand relating to service concessions managed by subsidiary Energy Saving Valsamoggia S.r.l.. Disposals were also made for € 287 thousand.

Finally, other changes relate to the effect of a change in the exchange rate applied for the translation of balances relating to foreign companies with a currency other than the Euro and to the deconsolidation of Yougenio S.r.l. for € 33 thousand.

## 6. PROPERTY, PLANT AND EQUIPMENT UNDER LEASE

The table below shows the changes in property, plant and equipment under a financial lease in the period ended 30 September 2020.

| | Property under finance lease | Plant and equipment under finance lease | Rights of use of properties | Rights of use of plant and machinery | Total |
|---|---|---|---|---|---|
| **At 1 January 2020, net of accumulated depreciation and impairment** | **4,450** | **4,016** | **31,556** | **7,124** | **47,146** |
| Additions from acquisitions | 0 | 1,430 | 700 | 2,999 | 5,129 |
| Early termination | | | (688) | (239) | (927) |
| Depreciation for the period | (101) | (893) | (2,925) | (2,134) | (6,053) |
| Others | (1) | 367 | (469) | (397) | (500) |
| **At 30 September 2020** | **4,348** | **4,920** | **28,174** | **7,353** | **44,795** |
| At 1 January 2020 | | | | | |
| Historical cost | 4,992 | 8,146 | 50,175 | 26,602 | 89,916 |
| Accumulated depreciation and impairment losses | (542) | (4,130) | (18,619) | (19,478) | (42,771) |
| **NET BOOK VALUE RESTATED** | **4,450** | **4,016** | **31,556** | **7,124** | **47,146** |
| At 30 September 2020 | | | | | |
| Historical cost | 4,991 | 9,943 | 49,585 | 28,700 | 93,218 |
| Accumulated depreciation and impairment losses | (643) | (5,023) | (21,410) | (21,346) | (48,423) |
| **NET BOOK VALUE** | **4,348** | **4,920** | **28,174** | **7,353** | **44,795** |

Property, plant and equipment under finance leases reported changes during the first 9 months of the year, which were due to depreciation for the period, as well as to the execution of new lease agreements for a total of € 1,430 thousand, of which an amount of € 954 thousand relates to machinery used at subsidiary Servizi Ospedalieri and an amount of € 476 thousand relating to elevators used by Rekeep under a contract gained in the period.

Property, plant and equipment under operating lease, stated as “Rights of use on Properties” and “Rights of use on plant and machinery” showed an increase during the first 9 months of the year following the execution of new property lease agreements for € 700 thousand and new long-term hire of vehicles that make up the corporate fleets and equipment of the Group for € 2,999 thousand. Furthermore, there was the early termination of some lease and long-term hire agreements for a total of € 927 thousand.

## 7. OTHER INTANGIBLE ASSETS

The table below shows the changes in intangible assets in the period ended 30 September 2020.

| | Other intangible assets | Goodwill | Total |
|---|---|---|---|
| **At 1 January 2020, net of accumulated Amortization and impairment** | **26,823** | **387,778** | **414,601** |
| Business combinations | 1 | 0 | 1 |
| Additions from acquisitions | 3,364 | | 3,364 |
| Amortization for the period | (5,507) | 0 | (5,507) |
| Others | (3,171) | 2,270 | (900) |
| **At 30 September 2020** | **21,510** | **390,048** | **411,558** |
| At 1 January 2020 | | | |
| Cost | 125,238 | 390,096 | 515,334 |
| Accumulated Amortization and impairment losses | (98,415) | (2,318) | (100,733) |
| **NET BOOK VALUE** | **26,823** | **387,778** | **414,601** |
| At 30 September 2020 | | | |
| Cost | 123,774 | 392,366 | 516,140 |
| Accumulated Amortization and impairment losses | (102,264) | (2,318) | (104,581) |
| **NET BOOK VALUE** | **21,510** | **390,048** | **411,558** |

Goodwill is tested annually for impairment. For more details see note 8.

*Other intangible assets*, amounting to € 21,510 thousand at 30 September 2020, mainly consist of investments in software carried out as part of the projects aimed at upgrading and enhancing the corporate information systems. The additions from acquisitions made in the period (€ 3,364 thousand) were mainly attributable to the Parent Company Rekeep S.p.A. (€ 2,248 thousand) and related to the implementation and upgrading of software platforms used by the Group. Other changes of € 3,135 thousand related to the deconsolidation of Yougenio S.r.l..

## 8. IMPAIRMENT OF GOODWILL

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

### *SBU – Facility management*

The SBU is identified with:

› Rekeep S.p.A.

- H2H Facility Solutions S.p.A.
- Telepost S.p.A., specialist in internal mailing services
- Rekeep Digital S.r.l., active in high-tech services to companies
- Rekeep World S.r.l. and its foreign subsidiaries, dedicated to international business development
- other minor investee companies operating in the same segment.

The SBU also includes Yougenio S.r.l., providing facility management services to the B2C market, in relation to which, however, the management considered it appropriate to not continue operations as from May 2020, while starting operations for its winding-up on 22 September 2020 with consequent deconsolidation.

### *SBU – Laundering & Sterilization*

The SBU is identified with:

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

The table below sets forth the carrying amounts of the goodwill recognized in the condensed consolidated interim Financial Statements as at 30 September 2020, broken down into the different CGUs.

| | 30 September 2020 | 31 December 2019 |
|---|---|---|
| Goodwill allocated to Facility Management CGU | 376,239 | 373,969 |
| *of which International markets* | *22,235* | *19,965* |
| Goodwill allocated to Laundering & Sterilization CGU | 13,809 | 13,809 |
| **CONSOLIDATED GOODWILL** | **390,048** | **387,778** |

Goodwill is subject to impairment testing on an annual basis or more frequently if there are indications that the asset may have suffered an impairment loss.

At 30 September 2020 the Directors did not report any risk of impairment on the value of the cash generating units, including after considering the headroom noted in the sensitivity analyses and the stress tests conducted at the reporting date of the Consolidated Financial Statements at 31 December 2019, which support the recoverability of consolidated assets even in the presence of any possible risk of significant amount and the significant losses for the current year. Therefore, they did not proceed with any formal updating of the impairment tests at 31 December 2019.

## 9. INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD

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

At 30 September 2020, the investments valued at Equity amounted to a net amount of € 9,562 thousand, against a net amount of € 10,289 thousand at the end of the previous year.

| | Net assets 30 September 2020 | Net assets 31 December 2019 |
|---|---|---|
| Investments accounted for under the equity method | 9,680 | 10,376 |
| Provision for risks on investments | (118) | (87) |
| **INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD** | **9,562** | **10,289** |

Details of changes during the period are shown in Annex II attached to the Interim Report on Operations at 30 September 2020, to which reference should be made. Among the main changes note the consolidation, according to the equity method, involving the Qatari subsidiary Manutencoop International Services LLC and subsidiary Yougenio S.r.l. in liquidation following the commencement of the winding-up procedure on 22 September 2020, with the aim of completing this process in the shortest possible time.

In the first 9 months of 2020 investments accounted for under the equity method recorded a negative result equal to € 6,690 thousand, for the share attributable to the Group, as a result of the recording of income from equity investments of € 370 thousand and write-downs of € 7,059 thousand. Furthermore, negative effects were recognised directly under consolidated equity for a total of € 49 thousand.

## 10. OTHER NON-CURRENT ASSETS

The table below sets forth the breakdown of other non-current assets as at 30 September 2020 and as at 31 December 2019:

| | 30 September 2020 | 31 December 2019 |
|---|---|---|
| Other investments | 6,958 | 4,966 |
| Non-current financial assets | 4,454 | 4,819 |
| Other non-current assets | 6,094 | 97,941 |
| IFRS5 Reclassification | 0 | (149) |

| | | |
|---|---|---|
| **OTHER NON-CURRENT ASSETS** | **17,506** | **107,577** |

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

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

*Non-current financial assets*, amounting to € 4,454 thousand as at 30 September 2020 (€ 4,819 thousand as at 31 December 2019), are composed of:

- € 1,596 thousand of Non-current financial receivables due from associates, affiliates or joint-ventures (€ 1,651 thousand at 31 December 2019). The face value of these receivables is € 1,626 thousand, while the discounting fund amounts to € 30 thousand. Some of these are non-interest bearing since they were drawn down from each consortium partner and are thus discounted on the basis of their expected residual maturity, applying Eurirs as the reference interest rate, plus a spread;
- € 2,757 thousand of Non-current financial receivables from third parties (€ 3,067 thousand at 31 December 2019). During the year, following a settlement agreement, there was the partial collection of the remaining receivable claimed by the Parent Company for the sale of Energyproject S.r.l., which took place in 2014 (€ 408 thousand);
- € 101 thousand of securities held to maturity (unchanged compared to 31 December 2019).

At 30 September 2020 the item also included the long-term portion, equal to € 2,357 thousand, of the deferred price relating to the sale of 95% of the quota capital of MFM Capital S.r.l. to 3i EOPF, which took place in December 2018 (unchanged compared to 31 December 2019).

At 31 December 2019 *Other non-current assets* included € 94,611 thousand relating to the the deposit to be paid to AGCM in relation to the FM4 dispute. As at the same date, the Company had recognised the liability arising from the notice of payment issued by the Revenue Agency – Collection among “Other current liabilities” in the Statement of Financial Position for the corresponding amount (€ 94,611 thousand). This liability was expected to be paid off through the payment of the 72 instalments set in the instalment payment plan of the notice itself: in the meantime the plan has been suspended according to the provisions of Decree Law no. 18 of 17 March 2020, governing “Measures to strengthen the National Health Service and to provide financial support to households, workers and businesses related to the COVID 19 epidemic emergency" ("Cure Italy Decree"), which has provided, among others, for the possibility of suspending the payment of instalment payment plans already granted by the Revenue Agency. The Company availed itself of this suspension and subsequently the notice of payment was also suspended pending the definition of the new measure. Therefore, as at 30 September 2020 three instalments had been duly paid for € 3,010 thousand and with the settlement of the proceedings on the merits this amount is stated at present among

"Other non-current assets". The Company is currently assessing the methods of recovering these amounts, through repayment or any possible set-off with what emerges from the new Competition Authority's order.

Following the developments of this dispute, which only partially granted the Parent Company's appeal and provided for new methods of calculating the fine imposed by the Competition Authority, a specific provision for risks of € 82,194 thousand has been recorded in the condensed consolidated financial statements, at the same time as the write-off of the guarantee itself and of the residual debt for instalment payments. With the settlement of the proceedings on the merits, the amount corresponding to the instalments already paid under the instalment payment plan, equal to Euro 3,010 thousand, is still stated at present among "Other non-current assets", pending the assessment of the methods of recovering these amounts.

Furthermore, the item is made up of security deposits related to long-term income-generating manufacturing contracts (€ 1,971 thousand) and long-term deferrals relating to some contracts (€ 858 thousand).

## 11. TRADE RECEIVABLES, ADVANCES TO SUPPLIERS AND OTHER CURRENT RECEIVABLES

The table below includes the breakdown of Trade receivables, advances to suppliers and Other current operating receivables at 30 September 2020 and 31 December 2019:

| | 30 September 2020 | of which from related parties | 31 December 2019 | of which from related parties |
|---|---|---|---|---|
| Contract assets | 28,597 | | 27,284 | |
| Trade receivables, gross | 418,504 | | 411,299 | |
| Allowance for doubtful accounts | (30,214) | | (31,617) | |
| **Trade receivables due from third parties** | **416,887** | **0** | **406,966** | **0** |
| Trade receivables from Manutencoop Società Cooperativa | 149 | 149 | 65 | 65 |
| Trade receivables from Rekeep Group Companies | 7,769 | 7,769 | 9,270 | 9,270 |
| Trade receivables from Affiliates and Joint Ventures | 4,780 | 4,780 | 4,293 | 4,293 |
| **Trade receivables from Group** | **12,698** | **12,698** | **13,628** | **13,628** |
| Advances to suppliers | 5,705 | 0 | 7,403 | 3 |
| IFRS5 Reclassification | 0 | | (15,425) | (9) |
| **TRADE RECEIVABLES AND ADVANCES TO SUPPLIERS** | **435,290** | **12,698** | **412,572** | **13,622** |
| Current tax assets within 12 months | 15,362 | | 18,393 | |
| Other current assets due from third parties | 7,621 | | 8,718 | |

| | 30 September 2020 | of which from related parties | 31 December 2019 | of which from related parties |
|---|---|---|---|---|
| Due from social security institutions | 1,899 | | 1,261 | |
| Due from employees | 225 | | 195 | |
| **Other current assets from third parties** | 25,107 | **0** | **28,567** | **0** |
| Current assets from Manutencoop Società Cooperativa | 14 | 14 | 8 | 8 |
| Current assets from associates | 213 | 213 | 166 | 166 |
| Current assets from affiliates | 34 | 34 | 0 | 0 |
| **Other current assets from the Manutencoop Group** | **261** | **261** | **174** | **174** |
| Accrued income | 288 | | 228 | |
| Prepaid expenses | 3,556 | | 2,480 | |
| **Accrued income and prepaid expenses** | **3,844** | **0** | **2,708** | **0** |
| IFRS5 Reclassification | 0 | | (395) | |
| **OTHER CURRENT ASSETS** | **29,212** | **188** | **31,054** | **174** |

The balance of trade receivables and advances to suppliers, which also includes contract assets, amounted to € 435,290 thousand at 30 September 2020, up by € 22,718 thousand compared to 31 December 2019 (€ 412,572 thousand).

The change in question was due to an increase of € 9,921 thousand in trade receivables from third parties, while receivables from other Group companies and the value of the provision for bad debts and contract assets remained substantially unchanged.

The Group continued to hold contracts for the assignment without recourse of trade receivables from third parties during the first 9 months of 2020. On 27 December 2018 the Parent Company Rekeep S.p.A. and Servizi Ospedalieri S.p.A. signed a new 3-year maturity factoring agreement with Bancafarmafactoring S.p.A (which replaces the previous one signed in 2016) concerning the assignment without recourse and on a revolving basis of receivables claimed by the same companies from entities in the National Health System and Public Authorities, in an amount of up to € 200 million.

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

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

Finally, the Parent Company also signed an uncommitted factoring agreement with Carrefour Italia Finance S.r.l. on 22 March 2019 for the assignment without recourse of trade receivables claimed from the Carrefour Group companies and an additional

uncommitted agreement with MB Facta S.p.A. on 4 December 2019 for the assignment without recourse of trade receivables claimed from the Telecom Group.

Finally, spot assignments were made to Banca Sistema S.p.A. and Prime Revenue Inc..

The assignments made during the year are summarised below:

| | Assignments made in the 9 months ended 30 September 2020 | Balance of trade receivables assigned without recourse and not yet collected by the Factor |
|---|---|---|
| Banca Farmafactoring S.p.A. | 120,056 | 42,638 |
| Banca IFIS S.p.A. | 30,841 | 10,167 |
| Unicredit Factoring S.p.A | 13,303 | 4,414 |
| Carrefour Italia Finance S.r.l. | 2,712 | 959 |
| MB FACTA S.p.A. | 15,793 | 3,819 |
| Banca Sistema S.p.A. | 10,972 | 7,962 |
| Prime Revenue Inc. | 4,224 | 3,061 |
| **TOTAL ASSIGNMENTS WITHOUT RECOURSE** | **197,900** | **73,020** |

In all assignments made, the assigned trade receivables were subject to derecognition pursuant to IFRS 9 in consideration of the features of the transactions and involved total interest discount costs of € 2,809 thousand.

Finally, trade receivables from the Group amounted to € 12,698 thousand (€ 15,628 thousand at 31 December 2019, plus advances of € 3 thousand). For more details, reference should be made to Annex III – Related-Party transactions.

A specific provision for bad debts was recorded against non-performing loans, which are difficult to fully recover, amounting to € 30,214 thousand at 30 September 2020 (at 31 December 2019: € 30,464 thousand). Changes in the provision during the period are detailed as follows:

| | 31 December 2019 | Increases | Uses | Reversals | 30 September 2020 |
|---|---|---|---|---|---|
| Allowance for doubtful accounts | **30,464** | 2,651 | (2,755) | (147) | **30,214** |

*Other current assets* of € 29,212 thousand (€ 31,054 thousand at 31 December 2019) showed a total decrease of € 1,842 thousand for the period.

In analysing the item in detail, the most significant entries of this item are made up of tax receivables and other current receivables from third parties. Tax receivables mostly relate to the VAT payments made by the Group companies (€ 13,340 thousand compared to € 15,830 thousand at 31 December 2019), which continue to show a credit balance given the widespread application of the regulations governing "Split-payment" and "Reverse charge" to the cycle of purchasing and sales invoicing. Assignments without recourse of VAT receivables held by some Group companies were made during the 9 months of 2020 for a total nominal amount of € 28,773 thousand and an interest discount of € 724 thousand.

Furthermore, the item also recognises € 2,173 thousand of credit balances of current accounts held at Unicredit, managed in its own name and on behalf of INPDAP (Social Security Institute for employees in public administration), as envisaged in a property management contract stipulated with the aforementioned authority. Some restrictions have been placed on said accounts as a result of the dispute that has arisen with INPDAP. Therefore, for the purposes of an accurate presentation, it was deemed appropriate to classify said item under *Other current receivables*.

## 12. SHARE CAPITAL AND RESERVES

| | 30 September 2020 | 31 December 2019 |
|---|---|---|
| Share Capital – Ordinary shares | 109,150 | 109,150 |

Ordinary shares have a nominal value of € 1 each. Ordinary shares issued and fully paid up at 30 September 2020 amounted to 109,149,600.

The Parent Company does not hold own shares.

### Reserves and retained Earnings

The table below shows changes in shareholders' equity reserves in the period.

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

- the reserve originating from the recognition of transactions under common control, which includes the differences between the purchase cost and the net carrying amount of the assets acquired under business combinations between entities under common control, for a negative amount of € 244,186 thousand, for the recognition of the effects of the merger of CMF S.p.A. by incorporation into Rekeep S.p.A. during the 2018 financial year;
- the Parent Company's extraordinary reserve equal to € 47,967 thousand.

| | Share premium reserve | Legal reserve | SE reserves companies valued at SE | Translation reserve | SORIE reserve | Other reserves | Total reserves |
|---|---|---|---|---|---|---|---|
| **31 December 2018** | **145,018** | **20,124** | **3,469** | **(309)** | **(4,912)** | **(158,361)** | **5,029** |
| Effects of the change in accounting standards | | | | | | (1,617) | (1,617) |
| **1 January 2019** | **145,018** | **20,124** | **3,469** | **(309)** | **(4,912)** | **(159,978)** | **3,412** |
| Allocation of prior year result | | 799 | | 309 | (117) | 15,173 | 16,163 |
| Distribution of reserves | | 907 | | | | (13,907) | (13,000) |
| Economic effects on shareholders' equity | | | 67 | 16 | (949) | | (866) |
| **31 December 2019** | **145,018** | **21,830** | **3,536** | **16** | **(5,977)** | **(158,713)** | **5,710** |
| Allocation of prior year result | | | | (16) | 876 | 5,741 | 6,601 |
| Economic effects on shareholders' equity | | | (49) | 456 | 110 | | 516 |
| **30 September 2020** | **145,018** | **21,830** | **3,487** | **456** | **(4,992)** | **(152,971)** | **12,827** |

The table below shows changes in *Retained earnings*:

| | Retained earnings of the Parent Company | Consolidation reserve | Total retained earnings |
|---|---|---|---|
| **31 December 2018** | **3,809** | **31,102** | **34,911** |
| Effects of the change in accounting standards | | (657) | (657) |
| **1 January 2019** | **3,809** | **30,445** | **34,254** |
| Allocation of prior year result | | (429) | (429) |
| **31 December 2019** | **3,809** | **30,015** | **33,825** |
| Allocation of prior year result | 0 | (3,316) | (3,316) |
| Change in consolidation area | | (222) | (222) |
| **30 September 2020** | **3,809** | **26,477** | **30,286** |

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

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

| | 30 September 2020 | 31 December 2019 |
|---|---|---|
| **Equity attributable to non-controlling interests** | **1,929** | **836** |
| *of which attributable to:* | | |
| *Subsidiaries of Rekeep World S.r.l.* | (260) | 19 |
| *Other subsidiaries and consortia* | 2,189 | 817 |

| | 30 September 2020 | 31 December 2019 |
|---|---|---|
| **Profit for the year attributable to non-controlling interests** | **1,362** | **65** |
| *of which attributable to:* | | |
| *Subsidiaries of Rekeep World S.r.l.* | (100) | (70) |
| *Other subsidiaries and consortia* | 1,462 | 136 |

The equity and the result for the period attributable to minority interests relate to the minorities present in some subsidiaries, the most significant of which are described below.

Rekeep World S.r.l., which is the Group's sub-holding company active in the development of international markets, holds a stake of 70% of the share capital of Rekeep France S.a.s. (formerly Manutencoop France S.a.r.l.). However, there is no recognition of equity attributable to minority shareholders since there is a put option in favour of the minority shareholders and recognised as a financial liability in the Consolidated Financial Statements.

Furthermore, Rekeep World holds an investment of 80% in the capital of the Polish company Naprzód. However, the holding company holds, on the remaining portion of capital, a Put option in favour of the minority shareholders and, moreover, there is no recognition of equity attributable to minority interests. During 2018 EOS, a Turkish company in which Rekeep World S.r.l. acquired a majority stake against a stake of 49% held by local partners, and Rekeep United, a Turkish company which was jointly established with local partners holding 49.02% of the share capital, were consolidated for the first time. The valuation of the stake pertaining to minority shareholders was accounted for as an increase in the Shareholders' Equity of non-controlling interests for the period.

Finally, the Shareholders' Equity attributable to minority interests includes the shares pertaining to the non-controlling quotaholders of Medical Device S.r.l., which is 60% owned by Servizi Ospedalieri S.p.A. (the remaining 40% is held by a partner outside the Group).

## 13. NET FINANCIAL INDEBTEDNESS

Net financial indebtedness as of 30 September 2020 amounted to € 362,398 thousand, compared to € 366,627 thousand at 31 December 2019. Below is the related breakdown by balance sheet lines:

| | 30 September 2020 | 31 December 2019 |
|---|---|---|
| Long-term financial debt | 367,811 | 403,487 |
| Bank borrowings, including current portion of long-term debt, and other financial liabilities | 112,590 | 73,465 |
| **Financial liabilities** | **480,401** | **476,952** |
| Derivatives | 0 | 0 |
| **Gross financial indebtedness** | **480,401** | **476,952** |
| Cash and cash equivalents | (110,873) | (100,129) |
| Current financial assets | (7,130) | (4,819) |
| IFRS5 Reclassification | 0 | (5,377) |
| **Net financial indebtedness** | **362,398** | **366,627** |

### Current and non-current financial liabilities

The tables below set forth the qualitative breakdown of current and non-current financial liabilities at 30 September 2020 and 31 December 2019.

| | 30 September 2020 | Within 1 year | From 1 to 5 years | After 5 years |
|---|---|---|---|---|
| Senior Secured Notes | 327,153 | 0 | 327,153 | |
| Revolving Credit Facility (RCF) | 50,000 | 50,000 | | |
| Artigiancassa loan | 1,317 | 239 | 1,077 | |
| ETNO Bank Spółdzielczy mortgage loan | 65 | 65 | | |
| Other bank loans | 45 | 30 | 15 | |
| Prepaid interest expenses | (469) | (469) | 0 | |

| | 30 September 2020 | Within 1 year | From 1 to 5 years | After 5 years |
|---|---|---|---|---|
| Accrued interest expenses | 8,893 | 8,895 | (2) | |
| **Long-term bank borrowings and current portion of long-term bank borrowings** | **387,003** | **58,760** | **328,243** | **0** |
| Current bank overdraft, advance payments and hot money | 8,132 | 8,132 | | |
| Obligations arising from finance lease | 6,523 | 1,556 | 3,827 | 1,140 |
| Financial liability for operating leases | 39,806 | 6,425 | 20,934 | 12,447 |
| Loans from syndicated shareholders | 622 | 380 | 233 | |
| Loan from Parent Company Manutencoop Società Cooperativa | 146 | 146 | | |
| Other financial liabilities | 4,638 | 4,638 | | |
| Obligations from assignments with recourse of trade receivables | 13,158 | 13,158 | | |
| Collections on behalf of assignees of trade receivables | 8,521 | 8,521 | | |
| Obligations arising from reverse factoring transactions | 2,431 | 2,431 | | |
| Options on subsidiaries' minority shareholdings | 977 | 0 | 977 | |
| Debt for the acquisition of investments/business units | 8,441 | 8,441 | 0 | |
| Share capital to be paid into investee companies | 3 | 3 | | |
| **TOTAL FINANCIAL LIABILITIES** | **480,401** | **112,590** | **354,216** | **13,595** |

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

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

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

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

As required by the Offering Memorandum for the bond issue, on 1 July 2018 the Group completed the merger of CMF S.p.A. by incorporation into its subsidiary Rekeep S.p.A., according to Article 2501-*bis* (merger with debt), thus giving rise to the acquisition directly by Rekeep S.p.A. of the bond issue, together with any related obligations and guarantees described below in this paragraph and in note 18.

The rules of the bond issue provide for a system of guarantees and covenants to protect the Bondholders' investment. There are in fact some limitations on the financial operations of the Issuer and of its subsidiaries, while allowing the Group to operate freely, provided that the operations carried out contribute added value and cash flows to the Group, at least potentially. These covenants substantiate in some limitations on the possibility of incurring new indebtedness and making distribution of dividends, investments and some types of payments outside the Restricted Group (restricted payments). Furthermore, there are also rules governing the allocation of sums obtained from the sale of fixed assets, the performance of non-recurring and related-party transactions and the release of collateral on corporate assets to third parties. The covenants in question substantiate in the compliance with certain financial parameters (incurrence base financial covenants), the fulfilment of some conditions or the application of a quantitative limit on the performance of the transactions referred to above rather than in a full prohibition on carrying out the aforesaid transactions. Finally note interim reporting obligations concerning the Group's financial position, results of operations and cash flows. The limits and provisions laid down in the rules of the bond issue are in line with market practice for similar operations. The failure by the Issuer to comply with one or more covenants, in addition to significant events that give rise to a state of insolvency, constitute default events. There is the possibility of remedying most of them within a certain period of time. The default event relating to the state of insolvency or the failure to remedy the other default events constitute grounds for acceleration, i.e. the beneficiary's forfeiture of the right to the time limit and the early redemption of the Notes. No default events had occurred and the financial parameters, which are not subject to periodic audits, had been in any case complied with at the reporting date of these Financial Statements.

Furthermore, in early 2019 Rekeep S.p.A. formalised the purchase of portions of its bond issue on the open market for a nominal total of € 10,300 thousand, which were subsequently cancelled. An additional purchase on the open market for an overall nominal amount of € 15,800 thousand was formalised in the second quarter of 2020; in the latter case, the Notes were not subject to cancellation, but were deposited in a securities account with Deutsche Bank S.p.A. and shown in the Statement of Financial Position as a direct reduction in the overall financial debt, as this is a debt repayment in accounting terms. The weighted average repurchase price was in any case less than the price for the issue equal to 98% at 6 July 2017.

Finally, the *upfront fees* relating to the issue of Senior Secured Notes were accounted for according to the amortised cost method, which, during the first 9 months of 2020, entailed, in accordance with IFRS 9, the recognition of financial Amortization charges of € 3,048 thousand, of which an amount of € 402 thousand related to the write-off of the portion relating to the repurchased Notes.

### *Super Senior Revolving Credit Facility (RCF)*

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

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

The Super Senior Revolving loan agreement provides for compliance with a financial covenant, which is preliminary to the possible use of the line granted. This financial covenant is in line with the market practice for similar financing transactions and is recognised on a quarterly basis on the basis of the data relating to the last 12 months, as resulting from the financial position, results of operations and cash flows approved during the quarter prior to the date of the application for use of the credit facility. The financial covenants had been complied with on the reporting date of these financial statements.

On 18 March 2020 the Parent Company Rekeep S.p.A. formalized the request for use of the Super Senior Revolving loan ("RCF"), for € 50 million, disbursed on 23 March 2020. On 23 September 2020 the use of the line was also requested for an additional half-year period.

### *Prepaid interest expenses*

At 30 September 2020 the Group recognised prepaid interest expenses of € 469 thousand. The item mainly relates to the arrangement fees initially incurred by CMF S.p.A. for the execution of the Super Senior Revolving (RCF). In 2017 CMF S.p.A. charged back all the costs concerning the subscription of this credit line to Rekeep S.p.A. (initially equal to € 1.0 million). These costs will be amortised on a straight-line basis throughout the term of the credit line and showed a remaining balance of € 289 thousand at 30 September 2020.

### *Accrued interest expenses*

At 30 September 2020 the Group also recognised accrued interest expense for € 8,893 thousand, of which € 8,848 thousand relating to the amount accrued on the coupon of the Senior Secured Notes due 15 December 2020 and € 47 thousand relating to the interest amount accrued on the use of the RCF as from 23 September 2020.

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

The C.C.F.S. loans was early repaid on 29 June 2020.

The related agreement had been signed on 14 November 2017 by the Parent Company Rekeep S.p.A. for a total amount of € 10 million, at an interest rate composed of a 6-month EURIBOR plus a spread and the loan, which was backed by a pledge on the shares of subsidiary H2H Facility Solutions S.p.A., which was also paid off on 9 July.

### *ETNO Bank Spółdzielczy (Naprzód Group) Mortgage Loan*

The amount of € 65 thousand consists of the remaining value of a mortgage loan which was taken out by subsidiary Jol-Mark of the newly-acquired Polish Naprzód group, due to expire on 31 July 2023.

### *Artigiancassa loan (Rekeep S.p.A.)*

As at 21 June 2018 the Parent Company obtained a soft loan from the "Energy and Mobility Fund" operated by the Regional Government of Marche, aimed at supporting the energy efficiency development of healthcare units. This loan was partly disbursed by Artigiancassa S.p.A. in the form of a 8-year financing of € 1,676 thousand, with a pre-amortization period of 12

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

As at 30 September 2020 the loan showed a remaining balance of € 1,317 thousand (€ 1,556 thousand at 31 December 2019).

### *Other bank loans*

Other bank loans amounted to € 45 thousand at 30 September 2020. At 31 December 2019 they were equal to € 4,310 thousand and consisted of loans taken out by the companies in the newly-acquired Naprzód sub-group with bank counterparties for € 4,236 thousand.

### *Current account overdraft, advance payments and hot money*

At 30 September 2020 this item showed a balance of € 8,132 thousand, against an amount of € 2,446 thousand at the end of the previous year.

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

### *Finance lease obligations*

The lease agreements entered into are not secured and are signed by the Parent Company Rekeep S.p.A. and subsidiaries Servizi Ospedalieri S.p.A., Medical Device S.r.l., the Turkish subsidiary EOS and some companies in the Polish Naprzód sub-group. They refer to motor vehicles and plant and machinery mainly referable to Servizi Ospedalieri S.p.A., which uses them in the laundering and sterilization production processes, and to the Naprzód Group. During the first 9 months of 2020 new finance lease agreements were entered into for € 1,430, of which an amount of € 476 thousand related to the purchase of equipment on the part of the Parent Company.

### *Financial liability for operating leases*

As at 30 September 2020 the financial liability for operating leases amounted to € 39,806 thousand, showing a decrease of € 3,113 thousand compared to € 42,920 thousand at 31 December 2019.

Specifically, during the first 9 months of 2020, there were early termination transactions for € 927 thousand and increases for the execution of new agreements concerning property leases and the long-term hire of vehicles and equipment, equal to € 3,698 thousand, in addition to the payment of lease and hire rentals.

### *Syndicated loans*

This item refers to financing provided by third-party syndicated shareholders to consortium companies included within the scope of consolidation as they are controlled or held under a joint venture (50%). In certain cases, these loans are non-interest-bearing loans and are repayable on request. In other cases, they have a contractually defined maturity and, in others still, they do not have a contractually defined maturity but will essentially be repayable at the end of the long-term service contract, on the

basis of which the consortium company was established. At 30 September 2020 the overall balance of these loans amounted to € 622 thousand, recording an increase compared to 31 December 2019, when it amounted to € 893 thousand.

### *Collections on behalf of assignees of trade receivables*

The item included receipts from customers on assigned receivables as part of the factoring without recourse transaction of trade receivables. The receipts, equal to € 8,521 thousand at 30 September 2020, are transferred to the factor in the month after the end of the financial year. Of these, an amount of € 5,630 thousand pertain to the Parent Company Rekeep.

### *Obligations from assignments of receivables with recourse*

During 2020 the Parent Company Rekeep S.p.A. entered into a new agreement for the assignment with recourse (*pro-solvendo*) of trade receivables with Banca Sistema S.p.A., concerning receivables from Public Authorities. This agreement superseded the previously applicable agreement for assignment with recourse, which had been executed with Unicredit Factoring S.p.A. in 2015 and was terminated in full during 2020. During the first 9 months of 2020 assignments with recourse were made with regard to trade receivables at a nominal value of receivables of € 25,177 thousand. As at 30 September 2020 the exposure, equal to € 13,158 thousand (€ 28,174 thousand at 31 December 2019), of which an amount of € 12,218 thousand related to the abovementioned contract of the parent company Rekeep S.p.A. and an amount of € 940 thousand related to the Polish subsidiary Naprzód.

### *Obligations arising from reverse factoring transactions*

As at 30 September 2020 the Parent Company Rekeep S.p.A. used reverse factoring lines with Unicredit Factoring and Banca Farmafactoring, which ensure a greater amount of overdraft facilities with respect to payments to some suppliers. The exposure was equal to € 2,431 thousand at 30 September 2020.

### *Options on subsidiaries' minority shareholdings*

The options on subsidiaries' non-controlling interests were recognised for an amount of € 977 thousand at 30 September 2020 and relate to the estimated liability concerning the Put option held by the minority shareholder of French subsidiary Rekeep France S.a.s.. This option may be exercised between 30 June 2021 and 30 June 2023.

### *Debts for the acquisition of investments/business units*

This item amounted to € 8,441 thousand at 30 September 2020 (€ 9,929 thousand at 31 December 2019).

As at 30 September 2020 the deferred price for the acquisition of Naprzód S.A. by subsidiary Rekeep World S.r.l. was recognised for € 7,256 thousand. This value was adjusted during 2020 in accordance with the Investment Agreement that was signed at the same time as the business combination. The amount of this balance will be paid by 2020 and will bear interest until the date of actual payment.

Furthermore, Naprzód S.A. recognized payables for the acquisition of minority interests of other companies in the Polish sub-group, equal to € 1,119 thousand (€ 1,583 thousand at 31 December 2019).

### *Other financial liabilities*

As at 30 September 2020 other financial liabilities were recorded for € 4,638 thousand, against € 1,970 thousand at 31 December 2019. In particular, the payable for adjustments to the price for the transfer of Sicura S.p.A. (€ 2,110 thousand) was recognised in 2020 in accordance with the provisions of the contract of sale. On the other hand, other loans to non-banking counterparties that had been taken out by companies in the Naprzód sub-group, equal to € 1,941 thousand at 31 December 2019, were paid off during 2020.

### Current and other financial assets

At 30 September 2020, *Current and other financial assets* amounted to € 7,130 thousand (€ 4,819 thousand at 31 December 2019) and mainly included:

- the remaining short-term share, equal to € 1,408 thousand, of the deferred price referring to the sale of 95% of the quota capital of MFM Capital S.r.l. to 3i European Operational Projects SCSp, which took place in December 2018;
- the balance of pledged current accounts dedicated to the operation of the service for managing receipts within the scope of assignments of trade receivables without recourse equal to € 2,768 thousand (€ 821 thousand at 31 December 2019);
- other credit balances claimed from factoring companies for amounts that the latter entities had unduly received on receivables not included in the assignments carried out (€ 850 thousand);
- an overall amount of € 228 thousand of receivables from short-term loans and financial accounts held with non-consolidated Group companies (€ 181 thousand at 31 December 2019).

## 14. EMPLOYEE TERMINATION INDEMNITY

Changes in employee termination indemnity (“T.F.R.”) occurred during the first 9 months of 2020 are shown below, compared with changes in the same period of the last year.

| | For the 9 months ended | |
|---|---|---|
| | 30 September 2020 | 30 September 2019 restated |
| **AT 1 JANUARY** | **12,443** | **14,730** |
| Additions for business combinations | 0 | 1,004 |
| Current service cost | 246 | 543 |

| | For the 9 months ended | |
|---|---|---|
| | 30 September 2020 | 30 September 2019 restated |
| Interest costs on benefit obligations | 79 | 200 |
| Benefits paid | (1,342) | (1,651) |
| Net actuarial (gains)/ losses | (96) | 647 |
| Other changes | (78) | 1 |
| IFRS5 Reclassification | 0 | (3,266) |
| **AT 30 SEPTEMBER** | **11,251** | **12,208** |

Below is reported the breakdown of the net cost of employee benefits relating to the Employee Termination Indemnity (TFR):

| | For the 9 months ended | |
|---|---|---|
| | 30 September 2020 | 30 September 2019 restated |
| Current service cost | 248 | 220 |
| Interest costs on benefit obligation | 24 | 61 |
| **Net cost of the benefit recognized in the statement of profit or loss** | **272** | **381** |
| Net actuarial (gains)/ losses recognized in the period (on shareholders' equity) | (12) | 454 |
| **TOTAL COST OF THE BENEFIT** | 260 | 835 |

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

| | For the 9 months ended | |
|---|---|---|
| | 30 September 2020 | 30 September 2019 |
| Executives | 75 | 57 |
| Office workers | 1,715 | 1,268 |
| Manual workers | 25,985 | 16,160 |
| **AVERAGE STAFF** | **27,774** | **17,484** |

The average number of leased employees provided to the Group by Manutencoop Società Cooperativa was equal to no. 360 units at 30 September 2020 (30 September 2019 restated: no. 393 units).

## 15. PROVISIONS FOR RISKS AND CHARGES

Below are reported the breakdown and changes in provisions for risks and charges for the period ended 30 September 2020:

| | Risks on Investments | Risks on job orders | Pending disputes | Tax litigation | Agents' indemnity leave | Severance provisions | Other provisions | Total |
|---|---|---|---|---|---|---|---|---|
| **At 1 January 2020** | **87** | **5,038** | **24,597** | **538** | **262** | **358** | **952** | **31,831** |
| Accruals | 15 | 3,718 | 83,765 | | | | 102 | **87,600** |
| Uses | (522) | (844) | (3,136) | (34) | | | (29) | **(4,565)** |
| Reversals | | | (168) | | | | | **(168)** |
| Others | 537 | | (2) | | | | | **535** |
| **At 30 September 2020** | **118** | **7,911** | **105,056** | **504** | **262** | **358** | **1,025** | **115,233** |
| *At 30 September 2020:* | | | | | | | | |
| *Current* | *118* | *7,819* | *246* | *447* | *0* | *358* | *357* | ***9,344*** |
| *Non-current* | *0* | *92* | *104,810* | *57* | *262* | *0* | *668* | ***105,889*** |
| *At 31 December 2019:* | | | | | | | | |
| *Current* | *87* | *4,973* | *271* | *447* | *0* | *358* | *255* | ***6,392*** |
| *Non-current* | *0* | *64* | *24,326* | *91* | *262* | *0* | *696* | ***25,439*** |

### *Provision for risks on investments*

The item, amounting to € 118 thousand at 30 September 2020, includes the provision for unrecoverable future losses of Group companies and related for € 102 thousand to the subsidiary Alisei S.r.l. in liquidation and for € 16 thousand to the subsidiary Manutencoop International Services LLC, which was consolidated at equity as from the first quarter of 2020 following the start of the winding-up procedure.

### *Provision for risks on projects*

This provision includes, at consolidated level:

- estimated risks relating to potential disputes with customers, on the report of works;
- estimated penalties charged by customers;

› estimated costs to complete job orders, in respect of which no additional revenues will be paid.

The balance at the end of the period was equal to € 7,911 thousand, showing an increase of € 2,874 thousand against accruals of € 3,718 thousand and uses and releases totalling € 844 thousand.

### *Provision for pending disputes*

At the end of the financial year, the company assesses the risk of having to pay future compensation in the event of unsuccessful legal disputes with customers, suppliers, employees and others. During the period ended 30 September 2020 the provision, totalling € 105,056 thousand, reported increases for accruals for € 83,765 thousand and decreases for uses and releases totalling € 3,306 thousand.

Accruals were mainly recognized to cover risks of the Parent Company Rekeep S.p.A. for € 83,468 thousand. Utilization and reversal in the period, an amount of € 2,729 thousand of which is attributable to the Parent Company, refer to the use of provisions recorded in previous years due to the settlement of disputes with suppliers and legal proceedings with other parties.

On 20 January 2016, the Competition Authority (the "Authority"), considered that it had found a breach of competition rules on the part of some companies which had taken part in a European Union tender for cleaning services in school buildings called by CONSIP in 2012 and levied a fine initially equal to € 48,510 thousand against the Parent Company Rekeep S.p.A. (previously: Manutencoop Facility Management S.p.A.). On 23 December 2016, following a number of rulings handed down by the Regional Administrative Court and by the Council of State, the Authority adopted a measure that definitively redetermined the fine at € 14.7 million. Against the Council of State's judgment that had confirmed the existence of the understanding established by the Competition Authority, the Company filed an appeal with the Supreme Court for jurisdiction reasons, which was declared as inadmissible on 18 January 2019. The Competition Authority's order for the redetermination of the fine has also been appealed against before the Lazio Regional Administrative Court and the hearing for the discussion of the merits has been scheduled on 7 October 2020. The Company is waiting for the Court to make its decision.

The Company is regularly paying this fine, for which the payment has been obtained in 30 monthly instalments at the legal interest rate. The debt was paid off in full during 2019 and, therefore, no amount had been set aside against this dispute at 30 September 2020.

As a result of the Competition Authority's fine ruling, on 4 February 2016 Consip S.p.A. initiated a procedure to terminate the Agreements entered into within the tender in question, also informing the Company that it would consider the possibility of excluding it from future tenders for "work of the same type", including pursuant to article 38, paragraph 1, letter f) of Legislative Decree 163/06. On 23 November 2016 Consip S.p.A. also gave Rekeep S.p.A. notice of the final termination of the agreements, expressly stating that it would confiscate the part of the final guarantee deposit (performance bond) which remained after the deposit had been partially released considering the work done normally up to the termination date. It also notified the intention to report the facts to the Italian Anti-Corruption Authority and to the Public Prosecutor's Office.

On the other hand, between 2018 and 2017 various regulatory measures repeatedly established, for the regions in which the Consip framework agreements "*for cleaning and other services provided in order to keep school buildings and Public Administration training establishments clean and in working order*" (c.d. "Consip Scuole") had been terminated, the continuation of the acquisition of cleaning services and other auxiliary services. Finally, the Government, under the 2019 Budget Law (Article 1, paragraph 760, of Law no. 145/2018), ordered the re-insourcing of cleaning services in schools as from 1 March 2020, through the Ministry of Education, Universities and Research starting a selection procedure aimed at recruiting the staff currently in charge of delivering this service who meet the necessary requirements

Finally, on 2 December 2016, Consip S.p.A. formally reported to the ANAC, the facts challenged to Rekeep S.p.A., as announced in the termination letter of the Agreements together with the intention of reporting to the Public Prosecutor's Office. On 7 January 2017, the Company served to the entity a summons before the Court of Rome in order to verify the unlawfulness of the termination of the agreements and to order Consip S.p.A. to pay compensation for damages suffered by the company itself. The subsequent hearing for specifying conclusions held on 27 October 2020 was adjourned in accordance with Article 309 of the Italian Code of Civil Procedure because the final statements of the parties had not been transmitted to the Judge due to an error on the part of the court clerk's office.

Any adverse outcome of the legal proceedings brought against Consip S.p.A. could also result in the actual partial enforcement of the performance bond issued during the tender (originally € 24.5 million). ANAC has proceeded with the entry of the contract termination, as well as of the challenge against the same on the part of Rekeep S.p.A. before the Civil Court of Rome and of the filing of an appeal with the Supreme Court against the Council of State's judgment no. 928/2017 in its computerised records. As regards the latter appeal, the Supreme Court declared it inadmissible on 18 January 2019. The Company has then filed an appeal with the European Court of the Human Rights to seek compensation for damages arising from the events described above, which was rejected on 14 November 2019.

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

Furthermore, on 30 March 2018 Consip informed Rekeep S.p.A. that it had submitted a request to the competent insurance company to enforce the Company's warranty provided in relation to the Consip Caserme tender. However, the insurance company did not grant the request following the Council of State's decision handed down on 5 April 2018 whereby both the execution of the Lazio Regional Administrative Court's decision on the exclusion of Consip Caserme and Consip Sanità tenders and the related effects (also in relation to the enforcement of sureties) have been suspended and the hearing on the merits of the Company's appeal has been scheduled for 28 June 2018. However, by a subsequent order dated 19 July 2018, the Council of State proceeded with the "improper suspension of proceedings", since it considered that the relevant decision within the

dispute was that on the preliminary issue pending before the European Court of Justice, which had been raised by the Piedmont Regional Administrative Court on 21 June 2018, as to whether the breach of competition rules fell within the scope of cases of "serious errors committed in professional practice" provided for in Article 38 of the Code of Public Contracts under Legislative Decree 163 of 12 April 2006 ("Old Code of Public Contracts"). On 2 June 2019, finally, the European Court of Justice ruled on the abovementioned preliminary issue, declaring the breach of competition rules attributable to the case raised by the Piedmont Regional Administrative Court. Accordingly the hearing on the merits before the Council of State has been rescheduled for 16 January 2020; in that venue the Company's appeal was granted limited to the non-existence of a false declaration in the Consip Sanità tender. The appeal with the Supreme Court is being prepared on jurisdictional grounds.

Following the judgment handed down by the Council of State on 16 January 2020, Consip s.p.A. asked the guarantors to enforce the guarantees (bid bonds) provided in the interest of Rekeep for the Consip Sanità tender (equal to € 10.4 million) and Consip Caserme (equal to € 3.4 million). Rekeep S.p.A., with independent appeals and additional grounds, challenged these measures before the Lazio Regional Administrative Court and obtained a single-member board's Presidential decree suspending them until the hearing to be held on 4 March 2020 before the Regional Administrative Court, which confirmed the suspension until the hearing for the discussion of the merits scheduled for 1 July 2020 and for which the Company is still waiting for the filing of the judgment. Finally, on 28 July 2020, one of the guarantors (Atradius) served on Rekeep an appeal before the Civil Court of Rome under Article 702-*bis* in order to obtain the payment of the sums relating to the sureties issued for the participation in the Consip Sanità tender. The first appearance hearing is scheduled on 24 March 2021. In relation to the above-mentioned exclusions, ANAC decided to open two proceedings concerning their entry in the electronic criminal records of ANAC, as "Useful information". These proceedings, which were initially suspended by ANAC until the outcome of the proceedings on the merits and proceedings for the application of disqualification measures, have been resumed and must be completed within 180 days from 15 May 2020. The hearing for the appearance of the parties before ANAC was held on 16 July.

Finally, on 6 March 2020 Consip S.p.A. informed the Company of the exclusion from the tender for the cleaning of museum premises ("Consip Musei"), with the intention of sending the document to ANAC, which may proceed with the entry in the electronic criminal records of "Useful information". On 13 March 2020 a request was also sent for the enforcement of the bid bond relating to this tender (equal to € 2.8 million). The Company challenged this exclusion before the Lazio Regional Administrative Court, asking for its effects to be suspended. On 22 April 2020 the Lazio Regional Administrative Court approved the suspension of only the enforcement of the sureties and set the hearing on the merits for 21 October 2020; the Company is waiting for the filing of the decision.

The Consip Sanità, Consip Caserme and Consip Musei tenders did not generate consolidated Revenues until 30 September 2020 and were not included in the Group's backlog at 30 September 2020.

In the Consolidated Financial Statements at 31 December 2016, after the Regional Administrative Court's judgment of 14 October 2016, which was confirmed by the Council of State's judgment of 1 March 2017, and which substantially reduced the fine that had previously been imposed while not accepting the Company's argument that it was completely extraneous to the accusations, the Directors already decided to maintain the provisions for future charges (equal to € 17.5 million), also taking

account of the risk of enforcement of the abovementioned performance bond and bid bonds and despite the fact that Rekeep S.p.A. could submit sound arguments against the enforcement of the bonds in court.

On 23 March 2017, the Competition Authority notified Manutencoop Facility Management S.p.A. (now Rekeep S.p.A.) of the start of an 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 to ascertain whether those companies put in place a possible anti-competitive agreement whose subject matter consisted of the coordination of the procedures for taking part in the tender called by Consip in 2014 for awarding the Facility Management services intended for properties mainly for office use of the Public Administration (known as "FM4 Tender"). On 9 May 2019, after the completion of the abovementioned proceedings, the Authority served the final order, considering the existence of the agreement restricting competition between some of the abovementioned companies and imposing a sanction of € 91.6 million on the Company.

The hearing for discussing the merits on the appeal filed with the Lazio Regional Administrative Court on 3 July 2019, initially set for 6 May 2020, has been postponed at the Company's request to 10 June 2020 due to the ongoing Covid-19 emergency. The Lazio Regional Administrative Court's judgment of 27 July 2020 partially granted the appeal submitted by the Company, albeit confirming the Competition Authority's Order as regards the merits, in relation to reasons related to the calculation of the fine and set the parameters for its redetermination. The Regional Administrative Court then remanded the case to the Competition Authority for the calculation of the actual amount of the fine, based on the abovementioned parameters, and the order for the recalculation was served on 29 October 2020. The Company will, however, be entitled to challenge both the Regional Administrative Court's judgment before the Council of State and the new sanction, as redetermined in this manner, before the Lazio Regional Administrative Court within the time limits prescribed by law.

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 declares that it is 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. While continuing to have confidence in the reasonableness of the defence arguments, the Directors have considered that there will a probable future financial outlay and have therefore set aside a specific provision for risks in the interim Consolidated Financial Statements at 30 September 2020 for an amount equal to what is stated in the Competition Authority's order (€ 79,800 thousand), even in consideration of the uncertainty surrounding the actual outcome of the appeal on the merits concerning the Competition Authority's new order. Furthermore, the Company believes that the payment of any sum entered in the taxpayers' list will take place, as already occurred for the sums owed as a deposit in the first stage of the litigation, in instalments and 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. Therefore, the amount set aside has been increased by 3% to take account of the estimated collection costs (equal to € 2,394 thousand) and is equal to a total of € 82,194 thousand.

On 18 July 2019, in fact, the Lazio Regional Administrative Court granted the preliminary 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; it also ordered for a deposit to be provided, 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. This judgment, although appealed against, was confirmed by the Council of State on 12 September 2019; on 17 September 2019 the Company informed the market that it had not provided any security deposit in favour of the Competition Authority, which on 29 October formally requested the provision of the security itself, while also notifying that, if the Company had not complied with this obligation, it would proceed with the entry of the amounts due in the taxpayers' list. This entry of the sums in the taxpayers' list was made enforceable by the Revenue Agency following the issue of a notice of payment on 18 December 2019 for an amount equal to € 94,611 thousand, including collection charges of € 2.8 million (equal to 3% of the amount of the debt entered in the taxpayers' list). On 23 December 2019 the Company submitted a request for payment of these sums in instalments, which was formally granted on 10 January 2020. This order provides for the payment of 72 monthly instalments, at an interest rate of 4.5% as from 24 January 2020.

However, on 31 December 2019, even while pending the judgment on the merits mentioned above, the Company took steps to recognize the liability arising from the notice of payment issued by the Revenue Agency – Collection among "Other current liabilities" in the Statement of Financial Position for the corresponding amount (€ 94,611 thousand). Furthermore, the deposit subject to instalment payment was stated among the balance sheet assets, since it constitutes a receivable against sums that are potentially subject to return following the settlement of the existing dispute, and that cannot however be claimed automatically, even following the repayment of the entire debt. For this reason, this receivable was recognized among "Other non-current assets".

The Company has started to pay these instalments on a regular basis, waiting for the developments of the legal action expected in the trial proceedings. Decree Law no. 18 of 17 March 2020, governing "Measures to strengthen the National Health Service and to provide financial support to households, workers and businesses related to the COVID 19 epidemic emergency" ("Cure Italy Decree") has however provided, among others, for the possibility of suspending the payment of instalment payment plans already granted by the Revenue Agency. The Company availed itself of this suspension and subsequently the notice of payment was also suspended pending the definition of the new order. As at 30 September 2020, therefore, three instalments equal to € 3,010 thousand had been duly paid and, after the settlement of the trial proceedings, this amount is still stated to date among "Other non-current assets". The Company is assessing the methods of recovering these sums, through repayment or any possible set-off against the amount stated in the Competition Authority's new order.

Furthermore, on 28 June 2019 Consip S.p.A. formally served on Rekeep S.p.A. the order providing for its exclusion from the FM4 Tender due to the breach of Article 38, paragraph 1.f, of Legislative Decree 163/2006, as well as of Article 68 of Royal Decree 827/1924 and of Article 38, paragraph 2, of Legislative Decree 163/2006, while also notifying the enforcement of the provisional guarantees provided by Rekeep S.p.A. in tendering (equal to € 3.9 million). With regard to this exclusion, ANAC

initiated a procedure under Article 38, paragraph 1-*ter*, of Legislative Decree no. 163/2006. On 3 July 2019 Rekeep S.p.A. filed an appeal with the Lazio Regional Administrative Court in order to seek the annulment of the acts of Consip S.p.A.; on 11 September 2019 the administrative court ordered for the suspension of only the enforcement of the sureties and set the hearing to discuss the merits for 15 July 2020. This hearing has then been postponed to 2 December 2020. On 4 November 2019 the Company submitted an appeal to the Lazio Regional Administrative Court against the proceedings initiated by ANAC, which, at present, have been removed from the docket in consideration of the fact that on 24 January 2020 ANAC ordered to suspend the proceedings while waiting for the settlement of the disputes brought in first instance before the Regional Administrative Court for the Competition Authority's Consip FM4 orders and for the exclusion from the Consip FM4 tender.

To date, since the 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).

The Company continues to hold that it considers the Competition Authority's order unjustified and disproportionate and will continue to take any necessary action against it to protect its rights and interests. While having full confidence in the arguments discussed with their lawyers and after verifying the consolidated financial planning and the actual conditions to be able to meet non-recurring cash outflows (if any), the Directors do not see any uncertainties for the purposes of assessing the going-concern assumption.

With reference to the events referred to above, the Directors also point out that, despite a context that is significantly affected by new regulations and more restrictive approaches with respect to the previous ones, the Company believes that a risk may actually arise mainly with regard to delays in awarding some tenders attributable to situations of further worsening of the disputes connected with the participation in or the awarding of said tenders. To date the risk of the Company being temporarily excluded from public tenders as a result of an order issued by the ANAC can be reasonably regarded as not probable, above all when considering the data that Rekeep S.p.A. has recorded in relation to measures providing for the exclusion from tenders as a result of the Competition Authority's orders, which at present are four only from the adoption of the Competition Authority's Consip Scuole order (January 2016). As things stand as regards the abovementioned proceedings, there are no impediments for the Rekeep S.p.A. group companies to the participation and awarding of new call for tenders by Consip and, more in general, by the public administration, and any other awarding procedure in progress still remains valid.

Moreover, on 16 June 2017, Rekeep S.p.A. received official communication from Consip to sign the agreements for the two lots of the "Consip Mies 2" tender relating to the award of an "integrated technology multi-service with energy supply for buildings used by Public Health Administrations": these agreements were formally signed on 20 September 2017 and the procedure to sign the individual supply orders was subsequently started.

## 16. CONTINGENT LIABILITIES

As at the date of approval of the Interim Report on Operations at 30 September 2020 contingent liabilities had arisen for the Rekeep Group which had not been recognised in the accounts, for which the Management believes that the related financial risks can be regarded as possible but unlikely.

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

On 10 November 2017 ANAC, after the completion of proceedings initiated in November 2016 following a report made by A.O.R.N. Santobono Pausilipon in Naples, imposed a sanction (the "ANAC Order") on Rekeep S.p.A. (Manutencoop Facility Management S.p.A. at that time), raising objections concerning the failure to provide a declaration relating to the absence of criminal proceedings against one of the Company's proxy holders in the documentation submitted for the same tender, which took place in 2013. On the other hand, this proxy holder met the legal requirements in full. The ANAC order provided, in addition to a fine of € 10 thousand, for the Company to be excluded from all public tenders for a period of 6 months as from the date of entry in the computerised records of economic operators in public contracts. The Company, which considers that the order is unfounded and based on erroneous legal grounds, in addition to being disproportionate with respect to the alleged infringement, filed an appeal with the Lazio Regional Administrative Court, while asking the President of the competent division to order the immediate suspension of the measure before any discussion on the merits of the case ("request for precautionary measure from a single-member court"). On 15 November 2017 this request was granted and all the effects of the ANAC Order were suspended. On 21 December 2017 the Lazio Regional Administrative Court granted the appeal, as regards the merits, submitted by the Company and annulled the ANAC Order. Subsequently, ANAC challenged the administrative court's ruling before the Council of State, while submitting a request for precautionary measures for the suspension of the effects of the trial judgment. At the hearing held on 8 March 2018 the Council of State rejected this request, ordering ANAC to pay expenses.

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

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

On 9 January 2019 a request for precautionary measure from a single-member court was submitted to the Council of State for it to suspend the judgment of 27 December 2018 pursuant to Article 111 of the Italian Code of Administrative Procedure. The

President of the competent division accepted the request made by the Company by a specific Decree, whereby it suspended the effects of the judgment and of the ANAC's Order until the hearing of the Council of State that was held on 24 January 2019, in which it confirmed the decision made by the President until the ruling of the Supreme Court that set the public hearing for discussing the appeal on 10 March 2020. The hearing has been postponed to 20 October 2020 due to the Covid-19 emergency and the company is waiting for the court to make its decision.

The judgment was also challenged by the Company before the Council of State on 6 February 2019 by means of an appeal for revocation, complaining about a "factual error entailing the revocation" and claiming that: (i) the Company did not submit any false declaration, but merely failed to submit a declaration (Article 38, paragraph 1.c) on the part of one of its proxies who, moreover, met the legal requirements in full, as she had no criminal record; (ii) the Company was never accused of failing to meet the requirement. The hearing on the merits scheduled for 2 April 2020 has been postponed to 24 September 2020 due to the Covid-19 emergency. The Council of State has declared that the appeal is inadmissible.

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

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

### *Italian Finance Police's Report of Findings served on Rekeep S.p.A. in 2019*

On 10 April 2019, the Italian Tax Police (*Guardia di Finanza*) - Bologna Economic and Financial Police Unit – started a tax audit involving Rekeep S.p.A.. The audit was completed on 25 July 2019 with the service of the report of findings (*Processo Verbale di Constatazione*, PVC), which reported some remarks regarding VAT on some specific supply contracts, as well as remarks regarding VAT, IRES and IRAP tax for the 2017 financial year, for a higher tax due totalling € 1.7 million. On 4 May 2020, the Revenue Agency served a notice of invitation to a discussion on the 2017 tax period and following a confrontation with the Office, the Company and its consolidating company Manutencoop Società Cooperativa settled their respective IRES, IRAP and VAT debt in relation to the 2017 tax period by means of a voluntary correction of tax return. Similarly, a settlement by agreement procedure was carried out in relation to the 2014, 2015, 2016 and 2018 tax periods.

## 17. TRADE PAYABLES, CONTRACT LIABILITIES AND OTHER CURRENT LIABILITIES

The table below sets forth the breakdown of the item at 30 September 2020 and 31 December 2019:

| | 30 September 2020 | of which to related parties | 31 December 2019 | of which to related parties |
|---|---|---|---|---|
| Trade payables | 340,372 | | 372,557 | |
| **Trade payables due to third parties** | **340,372** | **0** | **372,557** | **0** |

| | 30 September 2020 | of which to related parties | 31 December 2019 | of which to related parties |
|---|---|---|---|---|
| Trade payables to Manutencoop Società Cooperativa | 7,475 | 7,475 | 8,924 | 8,924 |
| Trade payables to Group companies within 12 months | 14,800 | 14,800 | 13,079 | 13,079 |
| **Trade payables to Manutencoop Group** | **22,275** | **22,275** | **22,003** | **22,003** |
| Advances from customers, including contract liabilities | 19,376 | 0 | 21,309 | 1 |
| IFRS5 Reclassification | 0 | 0 | (9,919) | (36) |
| **Trade payables and contract liabilities** | **382,023** | **26,141** | **405,950** | **22,004** |
| Fees due to directors and statutory auditors | 424 | | 293 | |
| Tax payables | 5,598 | | 8,643 | |
| Payables to social security institutions within 12 months | 22,670 | | 15,059 | |
| Other payables to TJA ("*Associazione temporanea di imprese*") | 10,046 | | 12,382 | |
| Payables to employees within 12 months | 56,377 | | 53,850 | |
| Other payables within 12 months | 6,241 | | 102,126 | |
| Property collection on behalf of customers | 2,176 | | 2,176 | |
| **Other current operating payables to third parties** | **103,532** | **0** | **194,529** | **0** |
| Other current payables to Manutencoop Società Cooperativa | 36 | 36 | 68 | 68 |
| Other payables to Group companies | 32 | 32 | 2 | 2 |
| **Other current payables to Manutencoop Group** | **68** | **68** | **70** | **70** |
| Accrued expenses | 237 | | 251 | |
| Deferred income | 247 | | 1,104 | |
| **Accrued expenses and deferred income** | **484** | 0 | **1,355** | **0** |
| IFRS5 Reclassification | 0 | 0 | (3,489) | 0 |
| **Other current liabilities** | **104,084** | **25** | **192,465** | **70** |

Trade payables do not accrue interest and are settled for, on average, 90/120 days from the invoice date. The other payables are non-interest bearing and are settled, on average, after 30 days, excluding payables due to employees for accrued year-end and summer bonuses and holidays paid at 6 months on average, and the amounts due to the Tax Authorities for VAT payments.

Trade payables and contract liabilities at 30 September 2020 amounted to € 382,023 thousand against a balance of € 405,950 thousand at 31 December 2019, showing a decrease of € 23,297 thousand.

*Other current operating payables* showed a balance of € 104,084 thousand at 30 September 2020 (€ 192,465 thousand at 31 December 2019) and are mainly made up of the following items:

- payables to employees of € 56,377 thousand (€ 53,850 thousand at 31 December 2019), including the current monthly salaries to be paid in the months after the closing of the period, as well as payables for additional monthly salary to be paid (a portion of the 14th salary, to be paid every year in the month of July, and of the 13th salary, to be paid every year in December). Furthermore, the corresponding payables to social security institutions were recognized for € 22,670 thousand (€ 15,059 thousand at 31 December 2019);
- payables due to tax authorities for € 5,598 thousand mainly relating to the balance of payables for VAT payments on the part of some Group companies and of the IRPEF (Personal Income) tax payable for employees (€ 8,643 thousand at 31 December 2019);
- collections on behalf of Temporary Associations of Companies (TJA) for € 10,046 thousand, which relate to the amounts collected by the Group, on behalf of third parties, mainly relating to job orders under CONSIP agreement (€ 12,382 thousand at 31 December 2019).

As at 31 December 2019, *Other payables within 12 months* included the payable relating to the deposit for the fine imposed by the Competition Authority in relation to the Consip FM4 Tender (see note 15 “Contingent liabilities”), which was recognized by the Parent Company Rekeep S.p.A. for € 94,611 thousand. This liability was expected to be paid off through the payment of the 72 instalments set in the instalment payment plan of the notice itself; however, the Decree Law no. 18 of 17 March 2020, governing “Measures to strengthen the National Health Service and to provide financial support to households, workers and businesses related to the COVID 19 epidemic emergency" ("Cure Italy Decree”) has granted, among others, the possibility of suspending the payment of instalment payment plans already granted by the Revenue Agency, to be carried out by 30 September 2020 without any application of sanctions and interest. The Company availed itself of this suspension and subsequently the notice of payment was also suspended pending the definition of the new order. Following the developments of this dispute, which only partially granted the Parent Company's appeal and provided for new methods of calculating the fine imposed by the Competition Authority, a specific provision for risks of € 82,194 thousand has been recorded in the condensed consolidated half-year financial statements, at the same time as the write-off of the residual debt for instalment payment and of the guarantee itself. With the settlement of the proceedings on the merits, the amount corresponding to the instalments already paid under the instalment payment plan, € 3,010 thousand, is still stated at present among "Other non-current assets", pending the assessment of the methods of recovering these amounts.

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

On 28 February 2020 the parent company Rekeep S.p.A. sold its full investment in Sicura S.p.A., the Group's sub-holding company which operates in the facility management sector as a provider of specialist services in the fields of safety and fire prevention.

The transfer to Argos Wityu, a pan-European Private Equity fund, entailed the recognition of a consideration of € 55,041 thousand.

In accordance with IFRS5, "current and non-current assets and liabilities" relating to the sub-group controlled by Sicura S.p.A. were reclassified, as early as from the consolidated financial statements at 31 December 2019, to "Non-current assets held for sale" and "Liabilities directly associated with Non-current assets held for sale" in the consolidated statement of financial position, after preparing the consolidation of the values attributable to the sub-group on a line-by-line basis and the elimination of intra-group transactions. In the consolidated financial statements for the 9 months ended 30 September 2020 the income statement balances relating to the sub-group controlled by Sicura S.p.A. and prior to the date of transfer were reclassified in the Statement of Profit/Loss for the period under a single item of "Profit (loss) from discontinued operations" in accordance with IFRS5.

However, the adoption of this standard did not entail any impact on consolidated net Profit and consolidated equity.

Furthermore, the comparative data were restated, as illustrated in note 3, to which reference should be made.

### *Non-current assets held for sale*

This item amounted to € 70,500 thousand at 31 December 2019, as reported below:

| | 30 September 2020 | 31 December 2019 |
|---|---|---|
| Property, plant and equipment | 0 | 757 |
| Property, plant and equipment under lease | 0 | 22 |
| Investment property | 0 | 4,889 |
| Goodwill | 0 | 42,588 |
| Other intangible assets | 0 | 522 |
| Equity investments | 0 | 9 |
| Non-current financial assets | 0 | 140 |
| Deferred tax assets | 0 | 685 |
| Trade receivables and advances to suppliers | 0 | 17,116 |
| Current tax receivables | 0 | 392 |
| Other current assets | 0 | 395 |

| | | |
|---|---|---|
| Cash and cash equivalents | 0 | 2,986 |
| **TOTAL NON-CURRENT ASSETS HELD FOR SALE** | **0** | **70,500** |

*Liabilities directly associated with non-current assets held for sale*

This item amounted to € 26,851 thousand, as detailed below:

| | 30 September 2020 | 31 December 2019 |
|---|---|---|
| Employee termination indemnity | 0 | 3,271 |
| Provisions for risks and charges, non-current | 0 | 455 |
| Non-current financial liabilities | 0 | 6,728 |
| Deferred tax liabilities | 0 | 18 |
| Other non-current liabilities | 0 | 4 |
| Trade payables and contract liabilities | 0 | 9,919 |
| Current tax payables | 0 | 1,331 |
| Other current liabilities | 0 | 3,489 |
| Current financial liabilities | 0 | 1,635 |
| **TOTAL LIABILITIES DIRECTLY ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE** | **0** | **26,851** |

*Profit/(loss) from discontinued operations*

| | 30 September 2020 | 30 September 2019 restated |
|---|---|---|
| Revenues | 5,060 | 28,551 |
| Operating costs | (7,082) | (25,121) |
| **GROSS MARGIN** | **(2,022)** | **3,430** |
| Amortization, depreciation, write-downs and write-backs of assets | (194) | (1,022) |
| Accrual (reversal) to provisions for risks and charges | (8) | 18 |
| Net financial income (expenses) | (375) | (221) |
| Gross capital gains on discontinued operation | 5,715 | 0 |
| Capital loss on sale of Energyproject S.r.l. (2013) | (204) | 0 |
| Capital loss on sale of MIA S.p.A. (2014) | (200) | 0 |

| | 30 September 2020 | 30 September 2019 restated |
|---|---|---|
| **Profit (loss) before tax from discontinued operations** | **2,711** | **2,205** |
| Income taxes from discontinued operations: | | |
| - related to profit (loss) for the period | (541) | (858) |
| **PROFIT (LOSS) FROM DISCONTINUED OPERATIONS** | **2,170** | **1,347** |
| *Basic earnings per share from discontinued operations* | *0.0199* | *0.0123* |
| *Diluted earnings per share from discontinued operations* | *0.0199* | *0.0123* |

As at 30 September 2020 the result from discontinued operations consisted of a profit equal to € 2,170 thousand, including the Sicura S.p.A. sub-group's results of operations for the 2020 financial year until the date of sale (a net loss of € 2,590 thousand), in addition to the capital gain generated by the disposal of € 3,125 thousand (net of additional transaction costs and price adjustments upon closing which is being settled with the counterparty), which was obtained by comparing the carrying amount of the sub-group disposed of and the consideration for the sale itself. It should be noted that the net capital gain recognised in the separate financial statements of Rekeep S.p.A. is equal to € 11,213 thousand.

The Profit (loss) from discontinued operations for the 2020 financial year also includes capital losses of € 404 thousand that arose from sales in previous years, specifically on the sale of Energyproject S.r.l. and MIA S.p.A. which took place in 2013 and 2014, respectively.

As at 30 September 2019, the restated values showed a result from discontinued operations equal to a net profit of € 1,347 thousand, fully attributable to the Sicura sub-group.

### *Financial flows generated from/used in discontinued operations*

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

| | 30 September 2020 | 31 December 2019 |
|---|---|---|
| Collection of deferred consideration for the sale of from Energyproject S.r.l. (2014) | 204 | 45 |
| Cash and cash equivalents from discontinued Operations | 0 | (2,986) |
| Collection of consideration for the sale of from Sicura S.p.A. (2020) | 55,041 | 0 |
| **CASH FLOW FROM DISPOSAL OF OPERATING ASSETS** | **55,245** | **(2,941)** |

Furthermore, the collection of an additional amount of € 205 thousand of the deferred consideration related to the sale of Energyproject was recognised in compliance with a settlement agreement signed in April 2020.

## 19. COMMITMENTS AND GUARANTEES

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

Specifically, the Group signed financial leases primarily for plant and machinery used in the production processes of the Laundering&Sterilzsation SBU and for motor vehicles and equipment. In 2017, moreover, a property lease agreement was signed by the subsidiary Servizi Ospedalieri S.p.A. to acquire the factory of Lucca, while the acquisitions of EOS and Medical Device S.r.l. in 2018 and Naprzód in 2019 contributed additional leases for capital goods and for the use of a property. Finally, during 2020 the Parent Company Rekeep signed two finance lease agreements relating to specific equipment for € 476 thousand, in addition to the execution of new finance lease agreements on the part of the controlling company Servizi Ospedalieri for € 954 thousand.

Furthermore, the Group holds commitments to the execution of property lease agreements for the Group's offices, as well as long-term hire agreements for the Group companies' corporate fleets and agreements for the hiring of equipment used in performing some work contracts, accounted for in accordance with the new IFRS16 as from 1 January 2019.

The tables below report the breakdown of the amount of future payments under finance lease agreements and their present value at 30 September 2020 and 31 December 2019:

| | 30 September 2020 | | | |
|---|---|---|---|---|
| | Finance Lease | | Operating Lease | |
| | Lease payments | Present value of lease payments | Lease payments | Present value of lease payments |
| Within 1 year | 1,606 | 1,556 | 8,159 | 6,425 |
| From one year to five years | 3,958 | 3,827 | 24,702 | 20,934 |
| After 5 years | 1,612 | 1,140 | 13,662 | 12,447 |
| **TOTAL LEASE PAYMENTS** | **7,176** | **6,523** | **46,524** | **39,806** |
| Financial charges | (653) | | (6,717) | |
| **PRESENT VALUE OF LEASE PAYMENTS** | **6,523** | **6,523** | **39,806** | **39,806** |

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

Furthermore, as at 30 September 2020, the Group granted sureties to third parties for:

- guarantees for financial obligations of € 23,804 thousand (€ 21,680 thousand compared to 31 December 2019), of which € 2,953 thousand issued in the interest of associates for overdrafts and other financial obligations (€ 3,099 thousand at 31 December 2019);
- sureties issued to third parties to ensure the correct fulfilment of contract obligations in place with customers amounting to € 317,312 thousand (€ 306,134 thousand at 31 December 2019), of which € 1 thousand issued in the interest of associates;
- other guarantees issued by third parties in favour of associates, joint ventures and other shareholdings amounting to € 10,557 thousand (€ 12,545 thousand at 31 December 2019);
- other guarantees granted to third parties to replace security deposits required to activate utilities or for lease contracts, as well as to the Inland Revenue Agency for VAT refunds, for a total amount of € 36,614 thousand (€ 25,316 thousand at 31 December 2019).

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

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

CMF S.p.A. was merged by incorporation into Rekeep S.p.A. with statutory, accounting and tax effects running from 1 July 2018, thus executing the provisions of the Indenture signed on 13 October 2017. After the merger, the indirect subsidiary Servizi Ospedalieri S.p.A. may also access the revolving credit facility, since it has provided a specific personal security.

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

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

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

The guarantees listed above may be enforced by the counterparties only in the case that one of the events of default envisaged in the above mentioned contracts occurs; up to the occurrence of the same, the assets covered by the guarantee are fully available to the Group. At 30 September 2020 no events of default had occurred.

## 20. FINANCIAL RISK MANAGEMENT

The management of borrowing and the relative risks (mainly interest rate and liquidity risks) is carried out centrally by the financial department of the Group on the basis of guidelines that are approved by the Parent Company's Board of Directors and which are reviewed periodically. The main aim of these guidelines is to ensure that the liabilities structure is in line with the composition of the balance sheet assets in order to maintain a high degree of financial solidity.

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

Furthermore, on 6 July 2017, CMF S.p.A. launched a high-yield bond issue named "*€360,000,000 9.0% Senior Secured Notes due 2022*", which is not convertible and not subordinated, for a total amount on account of principal of € 360 million and due 15 June 2022. The Notes, which were reserved for institutional investors and were listed on the Euro MTF segment managed by the Luxembourg Stock Exchange, as well as on the Extra MOT, Pro Segment, of Borsa Italiana, were issued at a price equal to 98% and a coupon at a fixed rate of 9.0% p.a., payable on a six-monthly basis. The terms and conditions referred to in the rules

of the Bond Issue are laid down in the Indenture, which is governed by the law of the State of New York. On the same date Rekeep S.p.A. received from CMF S.p.A. a Proceeds Loan amounting to € 190,300 thousand, subsequently partially repaid, which allowed it, at the same time as the use of a portion of its own Cash and cash equivalents, to have sufficient liquidity to proceed with an early redemption of the Notes issued in 2013.

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

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

Following the repurchase transactions which took place in 2019 and 2020 the remaining nominal value of the bond issue was equal to € 333,900 thousand.

The other traditional financing instruments used by the Group Companies are made up of:

- short-term loans and revolving assignments of trade receivables without and with recourse, as well as reverse factoring, with the aim of funding working capital;
- very short-term credit lines used for contingent cash requirements;
- medium and long-term loans with long-term amortization plans to cover investments in non-current assets and in acquisitions of companies and business units.

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

The Group's financial instruments involve a classification at the three levels stated in IFRS 7. The fair value hierarchy has the following three levels:

- Level 1: prices quoted on active markets for similar liabilities and assets.
- Level 2: prices calculated through information obtained from observable market data.
- Level 3: prices calculated through information other than observable market data.

The table below shows the hierarchical levels for each class of financial asset measured at fair value on 30 September 2020 and 31 December 2019, as restated.

| | | Hierarchy Levels | | | | Hierarchy Levels | | |
|---|---|---|---|---|---|---|---|---|
| | **30 September 2020** | **Level 1** | **Level 2** | **Level 3** | **31 December 2019** | **Level 1** | **Level 2** | **Level 3** |
| ***Financial assets measured at fair value through profit or loss*** | | | | | | | | |
| Financial assets, securities and other non-current financial assets | **101** | 101 | | | **101** | 101 | | |
| - of which securities | **101** | 101 | | | **101** | 101 | | |
| ***Available for sale financial assets*** | | | | | | | | |
| Financial assets and other current financial assets | **0** | 0 | | | **0** | 0 | | |
| - of which securities | | | | | **0** | 0 | | |
| - of which hedging derivatives | | | | | **0** | 0 | | |
| - of which non-hedging derivatives | | | | | **0** | 0 | | |
| **TOTAL FINANCIAL ASSETS** | **101** | **101** | | | **101** | **101** | | |

Any additional financial assets resulting from the Statement of Financial Position were not measured at fair value. The Group had no financial liabilities measured at fair value as at 30 September 2020 and 31 December 2019. During the period in question, there were no transfers from one fair value measurement level to another.

There were no changes in the destination of financial assets that entailed any being classified differently. The Group has no credit security instruments to mitigate credit risk. The carrying amount of the financial assets, therefore, represents its potential credit risk.

## *Management of capital*

The main objective of the Group's policy for the management of its capital is to ensure that a solid credit rating and sound capital ratios are maintained in order to support its activities and maximize shareholder value.

The Group manages and modifies capital structure according to changes in economic conditions. In order to maintain or adjust capital structure, the Group may change the amounts of shareholder dividends, repay capital or issue new shares.

The Group checks its indebtedness ratio comparing its net debt with the sum of its total assets and its net liabilities: interest-paying loans, trade payables, other payables and the employee termination indemnity, net of cash and cash equivalents.

| | 30 September 2020 | 31 December 2019 |
|---|---|---|
| Employee termination indemnity | 11,251 | 12,443 |
| Interest-bearing financial loans | 429,773 | 405,727 |
| Trade payables and contract liabilities | 382,023 | 405,950 |
| Other current liabilities | 104,084 | 192,465 |
| Other current financial liabilities | 50,628 | 62,862 |
| Cash and cash equivalents | (110,873) | (97,143) |
| Other current financial assets | (7,130) | (4,819) |
| **Net financial indebtedness** | **859,756** | **977,485** |
| Equity attributable to the Group | 68,121 | 151,970 |
| Undistributed net result | 84,142 | (3,285) |
| **Total capital** | **152,263** | **148,685** |
| **EQUITY AND NET DEBT** | **1,012,019** | **1,126,170** |
| Indebtedness ratio | **85.0%** | **86.8%** |

A slight decrease was recognised in the debt ratio compared to the value at 31 December 2019 following a decrease in net debt referred to in the paragraphs above and in the capital, following the Group's loss posted in the period.

## 21. OPERATING SEGMENTS

The services provided by the Rekeep Group can be divided into two primary areas of business, which coincide with the Strategic Business Units (SBU) where business is channelled. The latter is not affected by significant seasonality factors. The SBUs identified coincide with the CGUs where the Group's activities are conducted and are summarised below.

### *SBU Facility Management*

The facility management Segment offers a collection of logistic and organizational support services targeted at users of properties and aimed to optimize the management of property-related activities.

The so-called ''traditional'' facility management services provided by the Rekeep Group include the following activities:

› cleaning;

- technical services;
- landscaping.

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

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

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

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

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

Through a series of acquisitions, the Group also expanded its range of services, providing certain specialist facility management services alongside its ''traditional'' facility Management services, such as:

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

### *SBU Laundering & Sterilization*

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

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

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

The table below shows the results of operations by segment for the periods ended 30 September 2020 and 30 September 2019, as restated in order to take account of the effects of the sale of the sub-group controlled by Sicura S.p.A. in the comparative data:

| | Facility Management | Laundering & Sterilization | Eliminations | Total |
|---|---|---|---|---|
| Segment Revenues | 660,238 | 115,494 | (2,868) | 772,864 |
| Segment costs | (706,577) | (102,536) | 2,868 | (806,245) |
| **Operating income (loss) by segment** | **(46,339)** | **12,958** | **0** | **(33,381)** |
| Share of net profit of associates | (6,551) | (139) | 0 | (6,689) |
| Net financial income (charges) | | | | (34,835) |
| **Profit before tax** | | | | **(74,906)** |
| Income taxes | | | | (9,992) |
| Profit (loss) from discontinued operations | 2,170 | | 0 | 2,170 |
| **NET RESULT FOR THE PERIOD ENDED 30 SEPTEMBER 2019** | | | | **(82,729)** |

| | Facility Management | Laundering & Sterilization | Eliminations | Total |
|---|---|---|---|---|
| Segment Revenues | 592,772 | 100,685 | (1,892) | 691,565 |
| Segment costs | (561,687) | (89,114) | 1,892 | (648,909) |
| **Operating income (loss) by segment** | **31,085** | **11,571** | **0** | **42,656** |
| Share of net profit of associates | 157 | 180 | | 338 |
| Net financial income (charges) | | | | (30,197) |
| **Profit before tax** | | | | **12,797** |
| Income taxes | | | | (8,281) |
| Profit (loss) from discontinued operations | 1,347 | | | 1,347 |
| **NET RESULT FOR THE PERIOD ENDED 30 SEPTEMBER 2019 RESTATED** | | | | **5,863** |

Below are reported the data related to assets and liabilities by operating segments of the Group at 30 September 2020 and 31 December 2019:

| | Facility Management | Laundering & Sterilization | Eliminations | Total |
|---|---|---|---|---|
| Assets allocated to the segment | 495,442 | 126,532 | (2,151) | 619,823 |
| Goodwill | 376,238 | 13,810 | | 390,048 |
| Investments | 11,063 | 5,575 | | 16,638 |
| Other assets not allocated and related taxes | | | | 156,160 |
| **SEGMENT ASSETS AT 30 SEPTEMBER 2020** | **882,742** | **145,917** | **(2,151)** | **1.182,668** |
| Liabilities allocated to the segment | 553,770 | 60,973 | (2,151) | 612,592 |
| Other liabilities not allocated and related taxes | | | | 500,026 |
| **SEGMENT LIABILITIES AT 30 SEPTEMBER 2020** | **553,770** | **60,973** | **(2,151)** | **1,112,618** |

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

## 22. RELATED PARTY TRANSACTIONS

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

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

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

Finally, in certain cases the Parent Company provides and performs technical services and works for individuals who hold top management positions within the Group, according to contracts entered into at arm's length. Advances of € 1,008 thousand collected in consideration of these services were recognized at 30 September 2020 (€ 1,311 thousand at 31 December 2019).

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

- Manutencoop Cooperativa sub-leased to Rekeep S.p.A. the part of the property located in Zola Predosa, via Poli no. 4 (BO), for office use. The lease is tacitly renewable, except in the event of termination by one of the parties. Annual rent is € 1,347 thousand;
- Manutencoop Società Cooperativa leased to Rekeep S.p.A. the part of the property located in Mestre (VE), via Porto di Cavergnago no. 6, for office use. Annual rent is € 325 thousand, to be paid in 12 monthly instalments;
- On 6 July 2007, Rekeep S.p.A. signed a framework agreement with its parent company, Manutencoop Cooperativa, in order to regulate the essential contents of subsequent personnel leases from Manutencoop Cooperativa to Rekeep S.p.A. pursuant to Title III, Chapter I of Legislative Decree 276/2003. The contract has a five-year term, and is tacitly renewed, unless terminated by one of the parties. As a result of said agreement, which has the legal nature of a prescriptive contract that does not provide rights to third parties, Rekeep S.p.A. and the parent company Manutencoop Cooperativa set out the conditions that regulate any future contracts for the leasing of shareholding personnel of Manutencoop Cooperativa, and the operating rules for establishing and terminating said contracts;
- Manutencoop Cooperativa is committed, on the basis of contracts stipulated with the individual companies of the Rekeep Group, to prepare pay packets;
- Rekeep S.p.A. signed agreements with Manutencoop Cooperativa and the other Group companies for the provision of tax consultancy services.

The breakdown of the balances relating to the transactions carried out by the Group Companies with related parties is provided in Annex III attached to the Interim Report on Operations.

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

Zola Predosa, 12 November 2020

**The Chairman and CEO**

Giuliano Di Bernardo

# ANNEX I

# GROUP COMPANIES

## PARENT COMPANY

| | Currency | Registered Office | City |
|---|---|---|---|
| Rekeep S.p.A. | Euro | Via Ubaldo Poli no. 4 | Zola Predosa (BO) |

## SUBSIDIARIES CONSOLIDATED ON A LINE-BY-LINE BASIS

| Name | Registered Office | City | % Held | Currency |
|---|---|---|---|---|
| Bologna Strade Soc. Cons. a r.l. | Via Ubaldo Poli no. 4 | Zola Predosa (BO) | 54.37% | Euro |
| Catermed S.A. | ul. Traktorowa n. 126/201, 91-204 | Łódź (Poland) | 64.2% | PLN |
| Cefalù Energia S.p.A. | Via Ubaldo Poli no. 4 | Zola Predosa (BO) | 70% | Euro |
| CO.GE.F. Soc. Cons. a r.l | Via Ubaldo Poli no. 4 | Zola Predosa (BO) | 80% | Euro |
| Consorzio Igiene Ospedaliera Soc. Cons. a r.l | Via Ubaldo Poli no. 4 | Zola Predosa (BO) | 66.66% | Euro |
| Consorzio Stabile CMF | Via Marino Stenico no. 26 | Trento (TN) | 99% | Euro |
| Energy Saving Valsamoggia S.r.l. | Via Ubaldo Poli no. 4 | Zola Predosa (BO) | 98.9% | Euro |
| EOS Hijyen Tesis Hizmetleri Saglik Insaat Servis Muhendislik A.S. | Üniversiteler Mahallesi, Bilkent Plaza, A3 Blok, no. 4 | Çankaya/ Ankara | 51% | TRY |
| Ferraria Soc. cons. a r.l. | Via Ubaldo Poli no. 4 | Zola Predosa (BO) | 69% | Euro |
| Global Oltremare Soc.Cons. a r.l. | Via Ubaldo Poli no. 4 | Zola Predosa (BO) | 60% | Euro |
| H2H Facility Solutions S.p.A. | Via Ubaldo Poli no. 4 | Zola Predosa (BO) | 100% | Euro |
| H2H Cleaning S.r.l. | Via Ubaldo Poli no. 4 | Zola Predosa (BO) | 100% | Euro |
| ISOM Lavori Soc.Cons. a r.l. | Via Ubaldo Poli no. 4 | Zola Predosa (BO) | 62.71% | Euro |
| ISOM Gestione Soc.Cons. a r.l. | Via Ubaldo Poli no. 4 | Zola Predosa (BO) | 52.97% | Euro |
| IZAN+ sp. z o.o. | ul. Żabiniec n. 46, 31-215 | Kraków (Poland) | 100% | PLN |
| JOL-MARK sp. z o.o. | ul. Portowa n. 16G, 44-100 | Gliwice (Poland) | 100% | PLN |
| KANARIND Soc.Cons. a r.l. | Via Ubaldo Poli no. 4 | Zola Predosa (BO) | 62.43% | Euro |
| Kolumna Transportu Sanitarnego Triomed sp. z o.o. | ul. Północna no. 22, 20-064 | Lublin (Poland) | 80% | PLN |

| Name | Registered Office | City | % Held | Currency |
|---|---|---|---|---|
| Infrastrutture Lombardia Servizi Soc.Cons. a r.l. | Via Ubaldo Poli no. 4 | Zola Predosa (BO) | 60% | Euro |
| Logistica Sud Est Soc.Cons. a r.l. | Via Ubaldo Poli no. 4 | Zola Predosa (BO) | 60% | Euro |
| Medical Device S.r.l. | Via della Tecnica no.52 | Montevarchi (AR) | 60% | Euro |
| MSE Soc. Cons. a r.l. | Via Ubaldo Poli no. 4 | Zola Predosa (BO) | 100% | Euro |
| Naprzód S.A. | ul. Żabiniec n. 46, 31-215 | Kraków (Poland) | 80% | PLN |
| Naprzód Catering sp. z o.o. | ul. Stefana Banacha 1A, 02-097 | Warszawa (Poland) | 100% | PLN |
| Naprzód Cleaning sp. z o.o. | ul. Żabiniec n. 46, 31-215 | Kraków (Poland) | 100% | PLN |
| Naprzód Hospital sp. z o.o. | ul. Żabiniec n. 46, 31-215 | Kraków (Poland) | 100% | PLN |
| Naprzód Inwestycje sp. z o.o. | ul. Żabiniec n. 46, 31-215 | Kraków (Poland) | 100% | PLN |
| Naprzód IP sp. z o.o. | ul. Żabiniec n. 46, 31-215 | Kraków (Poland) | 100% | PLN |
| Naprzód Marketing sp. z o.o. | ul. Żabiniec n. 46, 31-215 | Kraków (Poland) | 100% | PLN |
| Naprzód Service sp. z o.o. | ul. Traktorowa n. 126/202, 91-204 | Łódź (Poland) | 100% | PLN |
| Palmanova Servizi Energetici Soc.Cons. a r.l. | Via Ubaldo Poli no. 4 | Zola Predosa (BO) | 60% | Euro |
| Przedsiębiorstwo Produkcyjno-Handlowo-Usługowe „Postęp” sp. z o.o. | ul. Portowa n.16G, 44-100 | Gliwice (Poland ) | 100% | PLN |
| Rekeep Arabia for Operations and Maintenance Ltd | P.O Box 230888, Riyadh, 11321, K.S.A., 28th floor, Kingdom tower. | Riyadh (Saudi Arabia) | 100% | SAR |
| Rekeep Digital S.r.l. | Via Ubaldo Poli no. 4 | Zola Predosa (BO) | 100% | Euro |
| Rekeep Facility S.a.s. | 52, Boulevard de Sebastopol | Paris | 100% | Euro |
| Rekeep France S.a.s. | 52, Boulevard de Sebastopol | Paris | 70% | Euro |
| Rekeep Rail S.r.l. | Via Ubaldo Poli no. 4 | Zola Predosa (BO) | 100% | Euro |
| Rekeep Saudi Co. Ltd | P.O Box 230888, K.S.A., 28th floor, Kingdom Tower | Riyadh (Saudi Arabia) | 100% | SAR |
| Rekeep Transport S.a.S. | 4 place Louis Armand-Tour de l’Horloge | Paris | 100% | Euro |
| Rekeep United Yönetim Hizmetleri A.Ş. | United Plaza Örnektepe Mh. İmrahor Cd. Sivaseli Sk. 4 | Istanbul | 50.98% | TRY |
| Rekeep World S.r.l. | Via Ubaldo Poli no. 4 | Zola Predosa (BO) | 100% | Euro |
| S.AN.CO S.c.a.r.l. | Via Aurelio Saffi no. 51 | Bologna | 100% | Euro |
| S.AN.GE S.c.a.r.l. | Viale Sarca 336 – Strada Privata Breda – Edificio 12 | Milan | 89% | Euro |
| San Gerardo Servizi Soc.Cons. a r.l. | Via Ubaldo Poli no. 4 | Zola Predosa (BO) | 60% | Euro |
| Servizi Brindisi Soc.Cons. a r.l. | Via Ubaldo Poli no. 4 | Zola Predosa (BO) | 52% | Euro |
| Servizi Ospedalieri S.p.A. | Via Calvino no.33 | Ferrara | 100% | Euro |
| Servizi Sanitari Sicilia Soc.Cons. a r.l. | Via Calvino no.33 | Ferrara | 70% | Euro |

| Name | Registered Office | City | % Held | Currency |
|---|---|---|---|---|
| Servizi Taranto Soc.Cons. a r.l. | Via Ubaldo Poli no. 4 | Zola Predosa (BO) | 60.08% | Euro |
| Telepost S.p.A. | Via Ubaldo Poli no. 4 | Zola Predosa (BO) | 100% | Euro |
| Vendi Cleaning sp. z o.o. | ul. Traktorowa n.126/201, 91-204 | Łódź (Poland) | 100% | PLN |
| Vendi Marketing sp. z o.o. | ul. Traktorowa n,126, 91-204 | Łódź (Poland) | 100% | PLN |
| Vendi Service sp. z o.o. | ul. Traktorowa n.126, 91-204 | Łódź (Poland) | 100% | PLN |
| Vendi Servis IP sp. z o.o. | ul. Traktorowa n.126, 91-204 | Łódź (Poland) | 100% | PLN |

## JOINT VENTURES ACCOUNTED FOR UNDER THE EQUITY METHOD

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

## ASSOCIATES AND OTHER COMPANIES ACCOUNTED FOR UNDER THE EQUITY METHOD

| Name | Registered Office | City | % Held | Currency |
|---|---|---|---|---|
| Alisei S.r.l. in liquidation | Via Cesari no. 68/1 | Modena | 100% | Euro |
| Bologna Gestione Patrimonio Soc.Cons. r.l. in liquidation | Via della Cooperazione no. 9 | Bologna | 27.58% | Euro |
| BGP2 Soc.Cons. r.l. | Via Giovanni Papini no. 18 | Bologna | 41.17% | Euro |
| Bologna Global Strade Soc.Cons. r.l. | Via Pila no. 18 | Sasso Marconi (BO) | 59.65% | Euro |
| Bologna Più' Soc.Cons.r.l in liquidation | Via M.E. Lepido no. 182/2 | Bologna | 25.68% | Euro |
| Centro Europa Ricerche S.r.l. | Via G. Zanardelli no. 34 | Rome | 21.38% | Euro |
| Como Energia Soc.Cons. r.l. in liquidation | Via Pietro Strazzi no. 2 | Como | 30% | Euro |
| Consorzio Imolese Pulizie Soc. Cons. a r.l in liquidation | Via Poiano no. 22 | Imola (BO) | 60% | Euro |
| Consorzio Polo Sterilizzazione Integrata a r.l. | Via Facciolati no. 84 | Padua | 60% | Euro |

| Name | Registered Office | City | % Held | Currency |
|---|---|---|---|---|
| Consorzio Sermagest Soc.Cons. a r.l. in liquidation | Via Filippo Corridoni no. 23 | Rome | 60% | Euro |
| Consorzio Servizi Toscana Soc. Cons. a r.l in liquidation | Via Ubaldo Poli no. 4 | Zola Predosa (BO) | 60% | Euro |
| F.lli Bernard S.r.l. | Stradella Aquedotto no. 21 | Bari | 20% | Euro |
| Gestione Servizi Taranto Soc.Cons.a r.l. | Via Ubaldo Poli no. 4 | Zola Predosa (BO) | 47% | Euro |
| Gestione Strade Soc.Cons.a r.l. | Strada Manara no. 64/B | Parma | 25% | Euro |
| Gico System S.r.l. | Via Finelli no. 8 | Calderara di Reno (BO) | 20% | Euro |
| Global Provincia Di Rimini Soc.Cons. r.l. in liquidation | Via Ubaldo Poli no. 4 | Zola Predosa (BO) | 42.40% | Euro |
| Global Riviera Soc.Cons. a r.l. | Via Ubaldo Poli no. 4 | Zola Predosa (BO) | 30.66% | Euro |
| Global Vicenza Soc.Cons. a r.l. | Via Grandi no. 39 | Concordia Sulla Secchia (MO) | 41.25% | Euro |
| Gymnasium Soc.Cons. r.l. in liquidation | Via Ubaldo Poli no. 4 | Zola Predosa (BO) | 68% | Euro |
| GR.A.AL. Soc. Cons. a. r.l. | Via Guelfa no. 76 | Bologna | 29.926% | Euro |
| Imola Verde e Sostenibile Soc. Cons. a r.l. | Via S. Allende no. 39 | Bologna | 30% | Euro |
| Iniziative Produttive Piemontesi S.r.l. | Corso Einaudi no. 18 | Turin | 24.75% | Euro |
| Logistica Ospedaliera Soc. Cons. a r.l | Via C. Alberto Dalla Chiesa no. 23/I | Caltanissetta (CL) | 45% | Euro |
| Manutencoop International Services LLC | Qatar Tower, building 35, street 920, zone 63 | Doha (Qatar) | 49% | QAR |
| MCF servizi Integrati Soc.Cons. a r.l. | Via Ubaldo Poli no. 4 | Zola Predosa (BO) | 60% | Euro |
| Newco Duc Bologna S.p.A. | Via M.E. Lepido no. 182/2 | Bologna | 24.90% | Euro |
| Rekeep Austria GmbH | IZ NÖ-Süd Straße 2, Obj. M6/7 - 2355 | Wiener Neudorf (Austria) | 100% | Euro |
| Roma Multiservizi S.p.A. | Via Tiburtina no.1072 | Rome | 45.47% | Euro |
| San Martino 2000 Soc.Cons. a r.l. | Via al Molo Vecchio | Calata Gadda (GE) | 40% | Euro |
| S.E.I. Energia Soc. Cons. a r.l. | Via Emilia 65 | Palermo (PA) | 49% | Euro |
| Serena S.r.l. in liquidation | Via Ubaldo Poli no. 4 | Zola Predosa (BO) | 50% | Euro |
| Servizi Napoli 5 Soc.Cons. a r.l. | Via Ubaldo Poli no. 4 | Zola Predosa (BO) | 45% | Euro |
| Simagest 2 Soc. Cons. a r.l in liquidation | Via Ubaldo Poli no. 4 | Zola Predosa (BO) | 90% | Euro |
| Simagest 3 Soc. Cons. a r.l in liquidation | Via Ubaldo Poli no. 4 | Zola Predosa (BO) | 89.99% | Euro |
| Società Consortile Adanti Manutencoop a r.l.in liquidation | Via Ubaldo Poli no. 4 | Zola Predosa (BO) | 50% | Euro |
| Steril Piemonte Soc.Cons. r.l. | Corso Einaudi no. 18 | Turin | 25% | Euro |
| Tower Soc.Cons. a r.l. in liquidation | Via Zanardi no. 372 | Bologna | 20.17% | Euro |
| Yougenio S.r.l. in liquidation | Via Ubaldo Poli no. 4 | Zola Predosa (BO) | 100% | Euro |

# ANNEX II

## EQUITY-ACCOUNTED INVESTMENTS

| | % | Net assets 31 December 2019 | Changes for the financial year | | | | | Net assets 30 September 2020 | Book value | Provision for risks |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Financial effects | Dividends | Revaluations Write-downs | Provision for risks | Effects on shareholders' equity | | | |
| Alisei S.r.l. in liquidation | 100% | (87) | | | | (15) | | (102) | 0 | (102) |
| A.M.G. S.r.l. | 50% | 2,338 | | 0 | 79 | | | 2,417 | 2,417 | |
| BGP 2 Soc. Cons. a r.l. | 41.47% | 104 | | | (42) | | | 62 | 62 | |
| Bologna Gestione Patrimonio Soc. Cons. a. r.l. in liquidation | 27.58% | 0 | | | 0 | | | 0 | 0 | |
| Bologna Global Strade Soc. Cons. a. r.l. | 60% | 60 | | | (1) | | | 59 | 59 | |
| Bologna Più Soc. Cons. a r.l. | 25.68% | 5 | | | | | | 5 | 5 | |
| Centro Europa Ricerche S.r.l. | 21.38% | 67 | | | (1) | | | 66 | 66 | |
| Co. & Ma. Soc. Cons. a r.l. | 50% | 5 | | | | | | 5 | 5 | |
| Como Energia Soc. Cons. a r.l. in liquidation | 30% | 11 | | | (3) | | | 7 | 7 | |
| Consorzio Imolese Pulizie Soc. Cons. a r.l in liquidation | 60% | 6 | | | | | | 6 | 6 | |
| Consorzio Polo sterilizzazione Integrata | 60% | 1 | | | | | | 1 | 1 | |

| | % | Net assets 31 December 2019 | Changes for the financial year | | | | | Net assets 30 September 2020 | Book value | Provision for risks |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Financial effects | Dividends | Revaluations Write-downs | Provision for risks | Effects on shareholders' equity | | | |
| Consorzio Sermagest in liquidation | 60% | 0 | | | | | | 0 | 0 | |
| Consorzio Servizi Toscana ar.l. | 60% | 0 | 6 | | | | | 6 | 6 | |
| DUC Gestioni Soc.Cons. a r.l. | 49% | 10 | | | | | | 10 | 10 | |
| F.lli Bernard S.r.l. | 20% | 1,727 | | 0 | (218) | | | 1,508 | 1,508 | |
| Gestione Servizi Taranto Soc.Cons.a r.l. | 47% | 0 | 2 | | | | | 2 | 2 | |
| Gestione Strade Soc.Cons. a r.l. | 25% | 13 | | | | | | 13 | 13 | |
| GICO Systems S.r.l. | 20% | 225 | | (9) | 28 | | | 244 | 244 | |
| Global Provincia di Rimini Soc.Cons. a r.l. | 42.40% | 4 | | | | | | 4 | 4 | |
| Global Riviera Soc.Cons. a r.l. | 30.66% | 9 | | | | | | 9 | 9 | |
| Global Vicenza Soc.Cons. a r.l. | 41.25% | 4 | | | | | | 4 | 4 | |
| GR.A.AL. SOC.CONS a r.l. | 29.93% | 3 | | | | | | 3 | 3 | |
| Gymnasium soc. Cons. A r.l. in liquidation | 68% | 7 | | | | | | 7 | 7 | |
| Imola Verde e Sostenibile Soc. Cons. a r.l. (IVES) | 30% | 6 | | | | | | 6 | 6 | |
| IPP S.r.l. | 24.75% | 398 | | | (10) | | | 387 | 387 | |
| Legnago 2001 Soc. Cons. a r.l. | 50% | 5 | | | | | | 5 | 5 | |
| Logistica Ospedaliera Soc. Cons. a r.l | 45.00% | 5 | | | | | | 5 | 5 | |
| Manutencoop International Services LLC | 49% | 0 | 522 | | | (537) | 22 | 6 | 22 | (15) |

| | % | Net assets 31 December 2019 | Changes for the financial year | | | | | Net assets 30 September 2020 | Book value | Provision for risks |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Financial effects | Dividends | Revaluations Write-downs | Provision for risks | Effects on shareholders' equity | | | |
| MCF Servizi integrati Soc. Cons. a r. l. in liquidation | 60% | 0 | 6 | | 0 | | | 6 | 6 | |
| Newco DUC Bologna S.p.A. | 24.90% | 1,613 | | | 248 | | (54) | 1,808 | 1,808 | |
| Rekeep Austria GmbH in liquidation | 100% | | 88 | | (88) | | | 0 | 0 | |
| ROMA Multiservizi S.p.A. | 45.47% | 2,618 | | 0 | (1,359) | | (17) | 1,242 | 1,242 | |
| San Martino 2000 Soc.Cons. a r.l. | 40% | 4 | | | | | | 4 | 4 | |
| S.E.I. Energia Soc. Cons. a r.l. | 49.00% | 5 | | | | | | 5 | 5 | |
| Società - Consortile Adanti Manutencoop a r.l. in liquidation | 50% | 10 | | | | | | 10 | 10 | |
| Serena S.r.l. | 50% | 9 | | | | | | 9 | 9 | |
| Servizi Napoli 5 Soc. Cons. a r.l. | 45% | 5 | | | | | | 5 | 5 | |
| Servizi Sportivi Brindisi Soc. Cons. a r.l. in liquidation | 50% | 5 | | | | | | 5 | 5 | |
| Simagest 2 Soc.Cons.a r.l. in liquidation | 90% | 45 | | | | | | 45 | 45 | |
| Simagest 3 Soc.Cons.a r.l. in liquidation | 89.99% | 45 | | | | | | 45 | 45 | |
| Steril Piemonte Soc. Cons. a r.l. | 25% | 986 | | | 10 | | | 996 | 996 | |
| T&M Protection Resources Holdings Italy S.r.l. | 40% | 0 | (4) | | 4 | | | 0 | 0 | |
| Tower Soc.Cons. a r.l. | 20.17% | 20 | | | | | | 20 | 20 | |

| | % | Net assets 31 December 2019 | Changes for the financial year | | | | | Net assets 30 September 2020 | Book value | Provision for risks |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Financial effects | Dividends | Revaluations Write-downs | Provision for risks | Effects on shareholders' equity | | | |
| Yougenio S.r.l. in liquidation | 100% | 0 | 5,954 | | (5,337) | | | 617 | 617 | |
| **NET BOOK VALUE** | | **10,289** | **6,574** | **(9)** | **(6,689)** | **(552)** | **(49)** | **9,562** | **9,679** | **(118)** |

# ANNEX III

# RELATED PARTY TRANSACTIONS

## PARENT COMPANIES

| | | Revenues | Costs | Financial income | Financial charges | | Trade receivables | Financial receivables and others | Trade payables | Financial payables and others |
|---|---|---|---|---|---|---|---|---|---|---|
| Manutencoop Società Cooperativa | 30-Sep-19 | 102 | 23,645 | | 849 | 31-Dec-19 | 65 | 8,082 | 8,943 | 33,096 |
| | 30-Sep-20 | 6 | 19,520 | | 701 | 30-Sep-20 | 149 | 17,475 | 7,508 | 20,071 |

## ASSOCIATES AND JOINT-VENTURES

| | | Revenues | Costs | Financial income | Financial charges | | Trade receivables | Financial receivables and others | Trade payables | Financial payables and others |
|---|---|---|---|---|---|---|---|---|---|---|
| Alisei s.r.l. in liquidation | 30-Sep-19 | | | | | 31-Dec-19 | 3 | | | 1 |
| | 30-Sep-20 | | | | | 30-Sep-20 | 3 | | | 1 |
| AMG S.r.l. | 30-Sep-19 | | 205 | | | 31-Dec-19 | | | 293 | |
| | 30-Sep-20 | | 180 | | | 30-Sep-20 | | | 249 | |
| BGP2 Soc.Cons. r.l. | 30-Sep-19 | | | | | 31-Dec-19 | | | | |
| | 30-Sep-20 | | | | | 30-Sep-20 | | | | |
| Bologna Gestione Patrimonio Soc.Cons. a r.l. in liquidation | 30-Sep-19 | 45 | 666 | | | 31-Dec-19 | 355 | | 1,043 | |
| | 30-Sep-20 | (163) | 38 | | | 30-Sep-20 | 146 | | 471 | |
| Bologna Multiservizi Soc.Cons. a r.l. | 30-Sep-19 | | | | | 31-Dec-19 | | | | |
| | 30-Sep-20 | | | | | 30-Sep-20 | | | | |
| Bologna Più Soc.Cons.a r.l. in liquidation | 30-Sep-19 | | | | | 31-Dec-19 | | 3 | 3 | 2 |
| | 30-Sep-20 | | | | | 30-Sep-20 | | 3 | 3 | 2 |
| Bologna Global Strade Soc. Cons. a r.l | 30-Sep-19 | 1,997 | 3,989 | | | 31-Dec-19 | 2,322 | 336 | 3,588 | |
| | 30-Sep-20 | 468 | 767 | | | 30-Sep-20 | 542 | 336 | 266 | |

| | | Revenues | Costs | Financial income | Financial charges | | Trade receivables | Financial receivables and others | Trade payables | Financial payables and others |
|---|---|---|---|---|---|---|---|---|---|---|
| Cardarelli Soc. Cons. a r.l. | 30-Sep-19 | | 7 | | | 31-Dec-19 | | | | |
| | 30-Sep-20 | | | | | 30-Sep-20 | | | | |
| Centro Europa Ricerche S.r.l. | 30-Sep-19 | | | | | 31-Dec-19 | | | | |
| | 30-Sep-20 | | | | | 30-Sep-20 | | | | |
| Como Energia Soc.Cons.a r.l. | 30-Sep-19 | | | | | 31-Dec-19 | | | 102 | |
| | 30-Sep-20 | | | | | 30-Sep-20 | | | 102 | |
| Consorzio Imolese Pulizie soc.Cons. in liquidation | 30-Sep-19 | | | | | 31-Dec-19 | | 36 | 12 | |
| | 30-Sep-20 | | | | | 30-Sep-20 | | 36 | 12 | |
| Consorzio Polo Sterilizzazione Integrata a r.l. | 30-Sep-19 | | | | | 31-Dec-19 | | | | |
| | 30-Sep-20 | | | | | 30-Sep-20 | | | | |
| Consorzio Sermagest Soc.Cons.a r.l in liquidation | 30-Sep-19 | | | | | 31-Dec-19 | | | | |
| | 30-Sep-20 | | | | | 30-Sep-20 | | | | |
| Consorzio Servizi Toscana Soc.Cons.a r.l in liquidation | 30-Sep-19 | | | | | 31-Dec-19 | | | | |
| | 30-Sep-20 | | | | | 30-Sep-20 | 282 | | 177 | |
| CO.& MA. Soc. Cons. a r.l | 30-Sep-19 | 270 | 680 | | | 31-Dec-19 | 240 | 20 | 839 | |
| | 30-Sep-20 | 270 | 863 | | | 30-Sep-20 | 390 | 20 | 1,099 | |
| DUC Gestione Sede Unica Soc. Cons. a r.l. | 30-Sep-19 | 5,296 | 2,639 | | | 31-Dec-19 | 3.877 | | 996 | |
| | 30-Sep-20 | 5,329 | 2,372 | | | 30-Sep-20 | 3.572 | | 1,669 | |
| Fr.lli Bernard s.r.l. | 30-Sep-19 | 9 | 60 | | | 31-Dec-19 | 41 | 50 | 61 | |
| | 30-Sep-20 | 48 | 17 | | | 30-Sep-20 | 73 | 50 | 23 | |
| Gestione Servizi Taranto Soc.Cons.a r.l. | 30-Sep-19 | | | | | 31-Dec-19 | | | | |
| | 30-Sep-20 | | | | | 30-Sep-20 | | 15 | | |
| Gestione Strade soc.cons.r.l. | 30-Sep-19 | | 842 | | | 31-Dec-19 | 57 | 63 | 815 | |
| | 30-Sep-20 | 151 | 971 | | | 30-Sep-20 | 74 | 63 | 1,143 | |
| Gico Systems S.r.l. | 30-Sep-19 | 7 | 985 | | | 31-Dec-19 | 9 | | 953 | |
| | 30-Sep-20 | 3 | 1,228 | | | 30-Sep-20 | 3 | | 747 | |
| Global Provincia di RN Soc.Cons.a r.l. in liquidation | 30-Sep-19 | | | | | 31-Dec-19 | | 70 | 13 | |
| | 30-Sep-20 | | | | | 30-Sep-20 | | 70 | 13 | |
| Global Riviera Soc.Cons.a r.l. | 30-Sep-19 | | 7 | | | 31-Dec-19 | | | (23) | |
| | 30-Sep-20 | | 6 | | | 30-Sep-20 | | | (16) | |
| Global | 30-Sep-19 | | (6) | | | 31-Dec-19 | | 10 | 14 | |

| | | Revenues | Costs | Financial income | Financial charges | | Trade receivables | Financial receivables and others | Trade payables | Financial payables and others |
|---|---|---|---|---|---|---|---|---|---|---|
| Vicenza Soc.Cons. a r.l. | 30-Sep-20 | | 3 | | | 30-Sep-20 | | 10 | 17 | |
| GR.A.AL. Soc. Cons. a. r.l. | 30-Sep-19 | | | | | 31-Dec-19 | | | | |
| | 30-Sep-20 | | | | | 30-Sep-20 | | | | |
| Gymnasium Soc. cons. a r.l in liquidation | 30-Sep-19 | | | | | 31-Dec-19 | 1 | 8 | 33 | |
| | 30-Sep-20 | | | | | 30-Sep-20 | 1 | 8 | 33 | |
| MCF Servizi integarti Soc. cons. a r.l. in liquidation | 30-Sep-19 | | | | | 31-Dec-19 | | | | |
| | 30-Sep-20 | | | | | 30-Sep-20 | 688 | | 322 | |
| Imola Verde e Sostenibile Soc. Cons. a r.l. (IVES) | 30-Sep-19 | | | | | 31-Dec-19 | | | | 3 |
| | 30-Sep-20 | 134 | 129 | | | 30-Sep-20 | 103 | | 98 | 3 |
| IPP S.r.l. | 30-Sep-19 | 16 | | | | 31-Dec-19 | 12 | 59 | | |
| | 30-Sep-20 | | 87 | | | 30-Sep-20 | 12 | 59 | 97 | |
| Legnago 2001 Soc. Cons. r.l. | 30-Sep-19 | | 3 | | | 31-Dec-19 | 158 | | 54 | |
| | 30-Sep-20 | | 3 | | | 30-Sep-20 | 158 | | 57 | |
| Logistica Ospedaliera Soc. Cons. a r.l. | 30-Sep-19 | | | | | 31-Dec-19 | | | 15 | |
| | 30-Sep-20 | | | | | 30-Sep-20 | | | 15 | |
| Manutencoop International Services LLC | 30-Sep-19 | | | | | 31-Dec-19 | | | | |
| | 30-Sep-20 | | | 43 | | 30-Sep-20 | | 43 | | |
| Newco DUC Bologna S.p.A | 30-Sep-19 | | | | | 31-Dec-19 | | | 51 | |
| | 30-Sep-20 | | | | | 30-Sep-20 | | | 51 | |
| Palazzo della Fonte S.c.p.a. | 30-Sep-19 | 2,402 | | | | 31-Dec-19 | (1) | | | |
| | 30-Sep-20 | | | | | 30-Sep-20 | | | | |
| Rekeep Austria G.m.b.H. in liquidation | 30-Sep-19 | | | | | 31-Dec-19 | | | | |
| | 30-Sep-20 | | | | | 30-Sep-20 | | 8 | | |
| Roma Multiservizi S.p.A. | 30-Sep-19 | 606 | 1,066 | | | 31-Dec-19 | 3,377 | | 341 | |
| | 30-Sep-20 | 560 | (1,454) | 6 | | 30-Sep-20 | 799 | | 374 | |
| San Martino 2000 Soc.Cons. r.l. | 30-Sep-19 | 1,218 | 1,871 | | | 31-Dec-19 | 135 | | 1,556 | |
| | 30-Sep-20 | 1,078 | 1,881 | | | 30-Sep-20 | 1,457 | | 1,135 | |
| Serena S.r.l. - in liquidation | 30-Sep-19 | | | | | 31-Dec-19 | | 3 | | |
| | 30-Sep-20 | | | | | 30-Sep-20 | | 3 | | |
| Servizi Napoli 5 Soc.Cons. a r.l. | 30-Sep-19 | 993 | 951 | | | 31-Dec-19 | 2,773 | | 1,731 | |
| | 30-Sep-20 | 1,007 | 956 | | | 30-Sep-20 | 3,431 | | 2,277 | |
| S.E.I. Energia Soc. Cons. a r.l. | 30-Sep-19 | 55 | | 17 | | 31-Dec-19 | 121 | 776 | | |
| | 30-Sep-20 | 36 | 3,008 | 17 | | 30-Sep-20 | 29 | 752 | 3,698 | |

| | | Revenues | Costs | Financial income | Financial charges | | Trade receivables | Financial receivables and others | Trade payables | Financial payables and others |
|---|---|---|---|---|---|---|---|---|---|---|
| S.I.MA.GEST2 Soc. Cons. r.l. in liquidation | 30-Sep-19 | | | | | 31-Dec-19 | | 75 | 13 | 2 |
| | 30-Sep-20 | | | | | 30-Sep-20 | | 75 | 13 | 2 |
| S.I.MA.GEST3 Soc. Cons. r.l in liquidation | 30-Sep-19 | | | | | 31-Dec-19 | | 3 | 3 | |
| | 30-Sep-20 | | 4 | | | 30-Sep-20 | | 3 | 7 | |
| Società Consortile Adanti Manutencoop in liquidation | 30-Sep-19 | | | | | 31-Dec-19 | | | 53 | |
| | 30-Sep-20 | | | | | 30-Sep-20 | | | 53 | |
| Steril Piemonte Soc. cons. a.r.l | 30-Sep-19 | | 527 | | | 31-Dec-19 | 7 | | 496 | |
| | 30-Sep-20 | | 375 | | | 30-Sep-20 | 7 | | 461 | |
| T&M Protection Resources Holdings Italy S.p.A. | 30-Sep-19 | 47 | | | | 31-Dec-19 | | | | |
| | 30-Sep-20 | 2 | | | | 30-Sep-20 | | | | |
| Tower Soc.Cons. a r.l. in liquidation | 30-Sep-19 | | | | | 31-Dec-19 | 33 | 29 | | |
| | 30-Sep-20 | | | | | 30-Sep-20 | 33 | 29 | | |
| Yougenio S.r.l. in liquidation | 30-Sep-19 | | | | | 31-Dec-19 | | | | |
| | 30-Sep-20 | 679 | (5,278) | 93 | | 30-Sep-20 | 700 | 23 | 76 | 29 |

## SUBSIDIARIES OF MANUTENCOOP COOPERATIVA

| | | Revenues | Costs | Financial income | Financial charges | | Trade receivables | Financial receivables and others | Trade payables | Financial payables and others |
|---|---|---|---|---|---|---|---|---|---|---|
| Cerpac S.r.l. in liquidation | 30-Sep-19 | | | | | 31-Dec-19 | 1 | | | |
| | 30-Sep-20 | | | | | 30-Sep-20 | 1 | | | |
| Nugareto Società Agricola Vinicola S.r.l. | 30-Sep-19 | 1 | | | | 31-Dec-19 | | | 5 | |
| | 30-Sep-20 | | | | | 30-Sep-20 | | | | |
| Sacoa S.r.l. | 30-Sep-19 | 31 | 1 | | | 31-Dec-19 | 15 | | | |
| | 30-Sep-20 | 31 | 22 | | | 30-Sep-20 | 33 | | 24 | |
| Sacoa Servizi Telematici S.r.l. | 30-Sep-19 | | | | | 31-Dec-19 | | | | |
| | 30-Sep-20 | | | | | 30-Sep-20 | | | | |
| Segesta servizi per l'Ambiente S.r.l. | 30-Sep-19 | 4 | | | | 31-Dec-19 | 2 | | | |
| | 30-Sep-20 | 4 | | | | 30-Sep-20 | 5 | | | |

## ASSOCIATES OF MANUTENCOOP COOPERATIVA OR OTHER GROUP COMPANIES

| | | Revenues | Costs | Financial income | Financial charges | | Trade receivables | Financial receivables and others | Trade payables | Financial payables and others |
|---|---|---|---|---|---|---|---|---|---|---|
| Consorzio Karabak Società Cooperativa | 30-Sep-19 | 52 | | | | 31-Dec-19 | 26 | | | |
| | 30-Sep-20 | 54 | | | | 30-Sep-20 | 7 | | | |
| Consorzio Karabak 2 Società Cooperativa | 30-Sep-19 | 3 | 1 | | | 31-Dec-19 | 2 | | | |
| | 30-Sep-20 | 3 | | | | 30-Sep-20 | | | | |
| Consorzio Karabak 4 Società Cooperativa | 30-Sep-19 | | | | | 31-Dec-19 | | | 1 | |
| | 30-Sep-20 | | 1 | | | 30-Sep-20 | | | 1 | |
| Consorzio Karabak 5 Società Cooperativa | 30-Sep-19 | | 1 | | | 31-Dec-19 | | | 1 | |
| | 30-Sep-20 | | | | | 30-Sep-20 | | | | |
| Consorzio Karabak 6 Società Cooperativa | 30-Sep-19 | | | | | 31-Dec-19 | | | | |
| | 30-Sep-20 | | | | | 30-Sep-20 | | | | |

| | | Revenues | Costs | Financial income | Financial charges | | Trade receivables | Financial receivables and others | Trade payables | Financial payables and others |
|---|---|---|---|---|---|---|---|---|---|---|
| **TOTAL** | **30-Sep-19** | **13,154** | **38,140** | **17** | **849** | **31-Dec-19** | **13,631** | **9,623** | **22,004** | **33,104** |
| | **30-Sep-20** | **9,700** | **25,699** | **159** | **701** | **30-Sep-20** | **12,698** | **19,081** | **22,275** | **20,108** |

# ANNEX IV

## STATEMENT OF RECONCILIATION OF THE RECLASSIFIED STATEMENT OF CASH FLOW AND THE STATUTORY SCHEDULE ITEMS

| | For The 9 months ended 30 September | | | |
|---|---|---|---|---|
| | 2020 | | 2019 | |
| **Cash and cash equivalents at the beginning of the period** | | **97,143** | | **94,733** |
| | | | | |
| **Cash flow from current operations:** | | **30,468** | | **42,868** |
| Profit before tax | (74,904) | | 15,002 | |
| Profit (loss) from discontinued operations | 2,170 | | 0 | |
| Capital gains from disposal of discontinued operations | (13,589) | | 0 | |
| Other unrealized write-downs on discontinued operations | 405 | | 0 | |
| Amortization, depreciation, write-downs and (write-backs) of assets | 30,106 | | 28,144 | |
| Accrual (reversal) of provisions for risks and charges | 87,440 | | 1,418 | |
| Employee termination indemnity provision | 404 | | 743 | |
| Share of net profit of associates, net of dividends collected | 6,689 | | (140) | |
| Financial charges (income) for the period | 35,357 | | 31,201 | |
| Net interests received (paid) in the period | (20,486) | | (19,122) | |
| Income taxes paid in the period | (10,598) | | (2,323) | |
| **Reclassifications:** | | | | |
| *Non-cash net financial charges accounted for under the Statement of Profit or Loss* | *(15,231)* | | *(12,056)* | |
| *Cash flow from current operations of discontinued operations* | *8,705* | | | |
| | | | | |
| **Uses of provisions for risks and charges and payments of the Employee Termination Indemnity (TFR):** | | **(5,904)** | | **(4,834)** |
| Payments of employee termination indemnity | (5,904) | | (1,651) | |
| Utilization of provision for risks and charges | (5,904) | | (3,183) | |

| | For The 9 months ended 30 September | | | |
|---|---|---|---|---|
| | 2020 | | 2019 | |
| **CHANGE IN NWOC:** | | **(49,423)** | | **(24,162)** |
| Decrease (increase) in inventories | (2,944) | | (2,037) | |
| Decrease (increase) in trade receivables | (27,496) | | (8,763) | |
| Increase (decrease) in trade payables | (18,983) | | (13,361) | |
| | | | | |
| **INDUSTRIAL AND FINANCIAL CAPEX:** | | **28,416** | | **(22,575)** |
| (Purchase of intangible assets, net of sales) | (3,364) | | (6,110) | |
| (Purchase of property, plant and equipment) | (18,525) | | (19,140) | |
| Proceeds from sale of property, plant and equipment | 287 | | 231 | |
| (Acquisition of investments) | (2,089) | | 7,985 | |
| Decrease (increase) of financial assets | (2,886) | | 1,276 | |
| Financial effects of business combinations | (115) | | (1,978) | |
| Discontinuing operations | 55,245 | | 45 | |
| **Reclassifications:** | | | | |
| *Change in current financial assets* | *2,842* | | *(1,276)* | |
| *Financial effects of business combinations* | *(112)* | | *(3,606)* | |
| *Financial effects of discontinued operations* | *8,147* | | | |
| *Cash flow from current operations of discontinued operations* | *(11,015)* | | | |
| | | | | |
| **CHANGE IN NET FINANCIAL LIABILITIES:** | | **9,501** | | **680** |
| Change in finance lease debt | 670 | | (49) | |
| New (repayment of) operating lease debt | (6,812) | | (5,700) | |
| Non-current borrowings | 50,233 | | 2,294 | |
| Repayment of non-current borrowings | (24,950) | | (11,671) | |
| Net opening (repayment) of short-term bank credit lines | 5,686 | | (4,449) | |
| Other net changes in borrowings | (18,064) | | (465) | |
| **Reclassifications:** | | | | |
| *Non-cash net financial charges accounted for under the Statement of Profit or Loss* | *15,231* | | *12,056* | |
| *Net change in current financial assets* | *(2,842)* | | *1,276* | |
| *Non-cash elements on acquisitions of rights of use* | *(460)* | | *3,781* | |
| *Financial effects of business combinations* | *3,698* | | *3,606* | |

| | For The 9 months ended 30 September | | | |
|---|---|---|---|---|
| | 2020 | | 2019 | |
| *Financial effects of discontinued operations* | *112* | | | |
| *Dividend distribution authorised in the previous year* | *(13,000)* | | | |
| | | | | |
| **OTHER CHANGES:** | | **(5,327)** | | **(11,024)** |
| Decrease (increase) in other current assets | 40 | | (6,734) | |
| Increase (decrease) in other current liabilities | 3,151 | | (441) | |
| Dividends paid | (13,000) | | 0 | |
| Acquisition/sale of minority interests in subsidiaries | 321 | | (0) | |
| Differences from translation of financial statements in foreign currency | 236 | | (67) | |
| **Reclassifications:** | | | | |
| *Non-cash elements on acquisitions of rights of use* | *(5,377)* | | *(3,781)* | |
| *Financial effects of discontinued operations* | *(3,698)* | | *0* | |
| *Dividend distribution authorised in the previous year* | *13,000* | | | |
| | | | | |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD** | | **110,873** | | **75,686** |

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