Important notice

THIS OFFERING MEMORANDUM (THE "**OFFERING MEMORANDUM**") IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QUALIFIED INSTITUTIONAL BUYERS ("**QIBs**") WITHIN THE MEANING OF RULE 144A ("**RULE 144A**") UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**U.S. SECURITIES ACT**") OR (2) OUTSIDE THE UNITED STATES IN ACCORDANCE WITH REGULATION S ("**REGULATION S**") UNDER THE U.S. SECURITIES ACT (AND, IF INVESTORS ARE RESIDENT IN A MEMBER STATE OF THE EUROPEAN ECONOMIC AREA (THE "**EEA**") OR THE UNITED KINGDOM (THE "**UK**"), A QUALIFIED INVESTOR AND NOT A RETAIL INVESTOR).

IMPORTANT: You must read the following before continuing. The following applies to the offering memorandum following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the offering memorandum. In accessing the offering memorandum, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE FOLLOWING OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of Your Representation: In order to be eligible to view the offering memorandum or make an investment decision with respect to the securities, investors must be either (1) QIBs or (2) purchasing the securities in an offshore transaction outside the United States in reliance on Regulation S, *provided that* investors resident in a Member State of the EEA must be qualified investors (within the meaning of Article 2(e) of Regulation (EU) 2017/1129 (the "**Prospectus Regulation**") and not retail investors (as defined below) and investors resident in the UK must be qualified investors pursuant to the Prospectus Regulation as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**") (the "**UK Prospectus Regulation**") and not retail investors (as defined below). The attached offering memorandum is being sent at your request. By accepting the e-mail and accessing the attached offering memorandum, you shall be deemed to have represented to us that:

(1) you consent to delivery of such offering memorandum by electronic transmission;

(2) either: (a) you and any customers you represent are QIBs, or (b) the e-mail address that you gave us and to which the e-mail has been delivered is not located in the United States (as defined in Regulation S); and

(3) if you and any customer you represent are a resident of a Member State of the EEA, you are not a retail investor. For the purposes of this paragraph (3), the expression "retail investor" means a person who is one (or more) of the following:

   (a) a "retail client" as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**");

   (b) a customer within the meaning of Directive 2016/97/EU (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

(c) not a "qualified investor" as defined in Article 2(e) of the Prospectus Regulation.

(4) if you and any customer you represent are a resident of the UK, you are not a retail investor. For the purposes of this paragraph (4), the expression "retail investor" means a person who is one (or more) of the following:

(a) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA;

(b) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the Financial Services and Markets Act 2000, as amended (the "**FSMA**") to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No. 600/2014 as it forms part of domestic law by virtue of the EUWA.

Prospective purchasers that are QIBs are hereby notified that the seller of the securities will be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act pursuant to Rule 144A.

The attached offering memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and, consequently, none of the initial purchasers named on the attached offering memorandum (the "**Initial Purchasers**"), any person who controls the Initial Purchasers, Rekeep S.p.A. (the "**Issuer**") or any of its subsidiaries, nor any director, officer, employer, employee or agent of theirs, or affiliate of any such person, accepts any liability or responsibility whatsoever in respect of any difference between the attached offering memorandum distributed to you in electronic format and the hard copy version available to you on request from the Initial Purchasers.

You are reminded that the attached offering memorandum has been delivered to you on the basis that you are a person into whose possession the attached offering memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver the attached offering memorandum to any other person. You may not transmit the attached offering memorandum (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person, except with the consent of the Initial Purchasers. If you receive this document by e mail, you should not reply by e-mail to this announcement. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected. If you receive this document by e-mail, your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Initial Purchasers or any affiliate of the Initial Purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Initial Purchasers or such affiliate on behalf of the Issuer in such jurisdiction.

Any securities to be issued will not be registered under the U.S. Securities Act or the securities laws of any other jurisdiction and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act.

The attached offering memorandum has been prepared on the basis that any offer of the securities in any Member State of the EEA (each a "**Relevant State**") will be made pursuant to an exemption under the Prospectus Regulation from the requirement to publish a prospectus for offers of the securities. The attached offering memorandum is not a prospectus for the purposes of the Prospectus Regulation. The securities described in the attached offering memorandum are

not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor (as defined above) in a Relevant State. No key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling any in scope securities or otherwise making them available to retail investors in a Relevant State has been or will be prepared. Offering or selling the Notes or otherwise making them available to any retail investor in a Relevant State may be unlawful.

Each person located in a Relevant State to whom any offer of securities is made, or who receives any communication in respect of an offer of securities, or who initially acquires any securities, or to whom the securities are otherwise made available, will be deemed to have represented, warranted, acknowledged and agreed to and with each Initial Purchaser and the Issuer that (i) it is a "qualified investor" within the meaning of the law in that Relevant State implementing Article 2(e) of the Prospectus Regulation; and (ii) it is not a retail investor (as defined above).

The attached offering memorandum has been prepared on the basis that any offer of the securities in the UK will be made pursuant to an exemption under the UK Prospectus Regulation from a requirement to publish a prospectus for offers of such securities. The attached offering memorandum is not a prospectus for the purpose of the UK Prospectus Regulation. The securities described in the attached offering memorandum are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No. 2017/565 as it forms part of domestic law by virtue of the EUWA; (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No. 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling any in scope securities or otherwise making them available to retail investors in the UK has been or will be prepared. Offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful.

EEA product governance / Professional investors and Eligible Counterparties only target market

Solely for the purposes of the product approval process of each of the manufacturers, the target market assessment in respect of the securities has led to the conclusion that: (i) the target market for the securities is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the securities to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the securities (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the securities (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

UK MiFIR product governance / Professional investors and Eligible Counterparties only target market

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**UK MiFIR**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the manufacturers' target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product

Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

This communication is for distribution only to, and is directed solely at, persons who (i) are outside the UK, (ii) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**"), (iii) high net worth entities falling within Article 49(2) of the Order and (iv) any other persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons"). The attached offering memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which the attached offering memorandum relates is available only to relevant persons and will be engaged in only with relevant persons. Any person who is not a relevant person should not act or rely on the attached offering memorandum or any of its contents.

CONFIDENTIAL
OFFERING MEMORANDUM

NOT FOR GENERAL DISTRIBUTION
IN THE UNITED STATES

REKEEP S.p.A.
€350,000,000 7.25% Senior Secured Notes due 2026

Rekeep S.p.A., a joint stock company (*società per azioni*) incorporated under the laws of Italy (the "**Issuer**"), is offering (the "**Offering**") €350.0 million aggregate principal amount of its 7.25% senior secured notes due 2026 (the "**Notes**").

The Notes will be issued by the Issuer under an indenture (the "**Indenture**"), to be dated on or about January 28, 2021 (the "**Issue Date**"), among, *inter alios*, the Issuer, The Law Debenture Trust Corporation p.l.c., as trustee (the "**Trustee**") and UniCredit S.p.A., as security agent (the "**Security Agent**").

The Notes will mature on February 1, 2026. The Issuer will pay interest on the Notes semi-annually in arrears on each of February 1 and August 1, commencing onAugust 1, 2021. Interest on the Notes will accrue from the Issue Date (as defined herein). Prior to February 1, 2023, the Issuer may redeem up to 40% of the aggregate principal amount of the Notes with the net proceeds from one or more equity offerings at a redemption price equal to 107.25% of the aggregate principal amount of the Notes redeemed, plus accrued and unpaid interest and additional amounts, if any. Prior to February 1, 2023, the Issuer may on one or more occasions redeem during each calendar year commencing on the Issue Date up to 10% of the then-outstanding aggregate original principal amount of the Notes at a redemption price equal to 103% of the principal amount of the Notes redeemed, plus accrued and unpaid interest and additional amounts, if any. Prior to February 1, 2023, the Issuer may also redeem all or a portion of the Notes at a redemption price equal to 100% of the principal amount of the Notes redeemed plus accrued and unpaid interest and additional amounts, if any, to the redemption date plus a "make-whole" premium, as described in this offering memorandum (this "**Offering Memorandum**"). At any time on or after February 1, 2023, the Notes may be redeemed at the redemption prices specified elsewhere in this Offering Memorandum. The Issuer may also redeem all of the Notes upon the occurrence of certain changes in applicable tax law at a redemption price equal to 100% of the amount of the Notes, plus accrued and unpaid interest and additional amounts, if any. Upon the occurrence of certain events constituting a change of control, each holder of the Notes may require the Issuer to repurchase all or a portion of its Notes at 101% of their principal amount plus accrued and unpaid interest and additional amounts, if any.

Upon the initial issuance of the Notes on the Issue Date, the Notes will be senior secured obligations of the Issuer, ranking equal in right of payment to all of the Issuer's existing and future senior indebtedness and senior to all of the Issuer's future indebtedness that is subordinated in right of payment to the Notes and will not be guaranteed by any of the Issuer's subsidiaries. On or about the Issue Date, the Notes will be secured by first-ranking security interests over all of the shares of the Issuer held by MSC and the Issuer's interest in the receivables in respect of certain material intercompany loans owing to it by certain of the Issuer's subsidiaries, in each case subject to the Agreed Security Principles (as defined herein) (the "**Issue Date Collateral**"). As soon as reasonably practicable and no later than 10 business days following the Issue Date, we will submit an application with the Italian Golden Power Authority (as defined herein) pursuant to the Italian Golden Power Legislation (as defined herein) in order for the Guarantor Collateral (as defined herein) to be granted. No later than 30 days following receipt of the Italian Golden Power Clearance (as defined herein), the Notes will be secured by first-ranking security interests over all of the shares of the Guarantor (the "**Guarantor Collateral**", and (as and when granted) together with the Issue Date Collateral, the "**Collateral**"), subject to the Agreed Security Principles (as defined herein). Unless the Italian Golden Power Authority (as defined herein) specifically opposes to the grant of the Notes Guarantee in its response to our application to receive the Italian Golden Power Clearance with respect to the Guarantor Collateral, we will grant the Notes Guarantee on an unsecured basis, subject to the Agreed Security Principles, no later that 30 days following such answer from the Italian Golden Power Authority. The Notes Guarantee will be a senior obligation of the Guarantor and will rank equal in right of payment to all of the Guarantor's existing and future senior indebtedness and will rank senior to all of the Guarantor's future indebtedness that is subordinated in right of payment to the Notes Guarantee. The Collateral will also secure the Revolving Credit Facility on a super senior basis pursuant to the Intercreditor Agreement (as defined herein). The Revolving Credit Facility will also be secured by a special lien (*privilegio speciale*) over the Issuer's movable assets. Pursuant to the Intercreditor Agreement, in the event of enforcement of the security interests over the Collateral or certain distressed sales, lenders under the Revolving Credit Facility and counterparties to certain hedging obligations (if any) will be entitled to be repaid with the proceeds from enforcement or such distressed sale in priority to the holders of the Notes. See "*Risk factors—Risks related to the Notes, the Notes Guarantee and the Collateral—Creditors under the Revolving Credit Facility and certain future hedging obligations, if any, and certain debt that we incur in the future may be entitled to be repaid with the proceeds of the Collateral securing the Notes in priority to the Notes*." See "*Risk factors—Risks related to the Notes, the Notes Guarantee and the Collateral—The grant of the Guarantor Collateral is subject to the Italian Golden Power Clearance and the outcome of such process is uncertain*." The Notes Guarantee, as and when granted, and the security interests in the Collateral (as applicable) will be subject to contractual and legal limitations that will materially limit their enforceability, and the Notes Guarantee may be released under certain circumstances. See "*Risk factors—Risks related to the Notes, the Notes Guarantee and the Collateral*" and "*Limitations on validity and enforceability of the Notes Guarantee and security interests and certain insolvency law considerations*."

Subject to and as set forth in "*Description of the Notes—Additional Amounts*," the Issuer will not be liable to pay any additional amounts to holders of the Notes in relation to certain circumstances, including any withholding or deduction required pursuant to Italian Legislative Decree No. 239 of April 1, 1996 (as the same may be amended or supplemented from time to time) ("**Decree No. 239**") if the Notes are held by a person resident in a country that is not included in the list issued under Article 11(4)(c) of Decree No. 239, and otherwise in the circumstances as described in "*Description of the Notes—Additional Amounts*."

There is currently no public market for the Notes. Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and to admit them for trading on the Euro MTF Market thereof. There is no assurance that the Notes will be listed on the Official List of Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market thereof.

Investing in the Notes involves risks. See "*Risk factors*" beginning on page 33 for a discussion of certain risks that you should consider in connection with an investment in the Notes.

Issue price for the Notes: 100% of principal plus accrued interest, if any, from the Issue Date.

The Notes and the Notes Guarantee have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act"), or the securities laws of any other jurisdiction. Accordingly, the Notes and the Notes Guarantee are being offered and sold inside the United States only to qualified institutional buyers ("QIBs") in accordance with Rule 144A under the U.S. Securities Act ("Rule 144A") and outside the United States in offshore transactions in accordance with Regulation S under the U.S. Securities Act ("Regulation S"). Prospective purchasers that are QIBs are hereby notified that the Initial Purchasers may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A. See "*Plan of distribution*" and "*Notice to investors*" for additional information about eligible offerees and transfer restrictions.

The Notes will be issued in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof. The Notes will be represented upon issuance by one or more global notes in registered form, which we expect will be deposited and registered in the name of a nominee for a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, S.A. ("**Clearstream**") on the Issue Date. See "*Book-entry, delivery and form*."

Joint Global Coordinators and Joint Physical Bookrunners

J.P. Morgan **UniCredit Bank**

Joint Bookrunners

Goldman Sachs International **Credit Suisse**

The date of this Offering Memorandum is January 20, 2021.

You should rely only on the information contained in this Offering Memorandum. None of the Issuer, the Guarantor or the Initial Purchasers have authorized anyone to provide you with information that is different from the information contained herein. If given, any such information should not be relied upon. None of the Issuer, the Guarantor or the Initial Purchasers are making an offer of the Notes in any jurisdiction where the Offering is not permitted. You should not assume that the information contained in this Offering Memorandum is accurate as of any date other than the date on the front of this Offering Memorandum.

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Important information about this offering memorandum

We are offering the Notes and the Notes Guarantee in reliance on exemptions from the registration requirements of the U.S. Securities Act. These exemptions apply to offers and sales of securities that do not involve a public offering. The Notes and the Notes Guarantee have not been recommended by any U.S. federal, state or any non-U.S. securities authorities, nor have any such authorities determined that this Offering Memorandum is accurate or complete. Any representation to the contrary is a criminal offense in the United States.

This Offering Memorandum is confidential. The Issuer has prepared this Offering Memorandum solely for use in connection with the proposed offering of the Notes. This Offering Memorandum is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire securities. Distribution of this Offering Memorandum to any person other than the offeree and any person retained to advise such offeree with respect to its purchase is unauthorized, and any disclosure of any of its contents, without the Issuer's prior written consent, is prohibited. By accepting delivery of this Offering Memorandum, you agree to the foregoing and to make no photocopies of this Offering Memorandum or any documents referred to herein.

J.P. Morgan AG, UniCredit Bank AG, Goldman Sachs International and Credit Suisse Securities, Sociedad de Valores, S.A. (the "**Initial Purchasers**"), the Trustee and the Agents (as defined herein) make no representation or warranty, express or implied, as to the accuracy or completeness of the information set forth in this Offering Memorandum. Nothing contained in this Offering Memorandum is or should be relied upon as a promise or representation by the Initial Purchasers as to the past or the future. You agree to the foregoing by accepting this Offering Memorandum.

You are not to construe the contents of this Offering Memorandum as investment, legal or tax advice. You should consult your own counsel, accountant and other advisors as to the legal, tax, business, financial and related aspects of purchasing the Notes. You are responsible for making your own examination of the Issuer and your own assessment of the merits and risks of investing in the Notes and the Notes Guarantee. We are not, and none of the Trustee, the Agents (as defined herein) or Initial Purchasers are making any representation to you regarding the legality of an investment in the Notes by you under applicable investment or similar laws. You may contact us if you need any additional information. By purchasing the Notes and the Notes Guarantee, you will be deemed to have acknowledged that:

- you have reviewed this Offering Memorandum; and
- you have had an opportunity to request any additional information that you need from us.

Except as provided below, we accept responsibility for the information contained in this Offering Memorandum. We have made all due inquiries and confirm that to the best of our knowledge and belief, the information contained in this Offering Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information. The information set out in relation to sections of this Offering Memorandum describing clearing and settlement arrangements, including the section entitled "*Book-entry, delivery and form*," is subject to change in or reinterpretation of the rules, regulations and procedures of Euroclear or Clearstream currently in effect. While the Issuer accepts responsibility for accurately summarizing the information concerning Euroclear and Clearstream, the Issuer does not accept further responsibility in respect of such information. In addition, this Offering Memorandum contains summaries believed to be accurate with respect to certain documents, but reference is made to the actual documents for complete information. All such summaries are qualified in their entirety by such reference. Copies of documents referred to herein will be made available to prospective investors upon request to the Issuer. The information in this Offering Memorandum is current only as of the date on its cover, and may change after that date. For any time after the cover date of this Offering Memorandum, the Issuer does not represent that its affairs are the same as described or that the information in this Offering Memorandum is correct, nor does the Issuer

imply those things by delivering this Offering Memorandum or selling Notes to you. References to any website contained herein do not form a part of this Offering Memorandum.

By receiving this Offering Memorandum, you acknowledge that you have had an opportunity to request from the Issuer for review, and that you have received, all additional information you deem necessary to verify the accuracy and completeness of the information contained in this Offering Memorandum. You also acknowledge that you have not relied on the Initial Purchasers in connection with your investigation of the accuracy of this information or your decision whether to invest in the Notes. You should consult your own legal counsel, accountants, tax, business or other advisors as to legal, business, financial, investment, tax and other aspects of a purchase of the Notes. In making an investment decision, investors must rely on their own examination of the Issuer, the Guarantor and any of their respective affiliates, the terms of the Offering and the merits and risks involved. Information in this Offering Memorandum is not legal, tax or business advice.

You may not use any information herein for any purpose other than considering an investment in the Notes.

The Issuer reserves the right to withdraw this Offering of the Notes at any time. The Issuer and the Initial Purchasers reserve the right to reject any offer to purchase the Notes in whole or in part for any reason or for no reason and to allot to any prospective purchaser less than the full amount of the Notes sought by such purchaser.

This Offering Memorandum is not an offer to sell the Notes and it is not soliciting an offer to buy any Notes in any jurisdiction in which such offer or sale is not permitted.

The distribution of this Offering Memorandum and the offer and sale of the Notes may, in certain jurisdictions, be restricted by law. None of the Issuer, the Guarantor or the Initial Purchasers represent that this Offering Memorandum may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. None of the Issuer, the Guarantor or the Initial Purchasers shall have any responsibility for any of the foregoing legal requirements. In particular, no action has been taken by any of the Issuer or the Initial Purchasers which would permit a public offering of any Notes or distribution of this Offering Memorandum in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Memorandum nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with all applicable laws and regulations.

Each purchaser of the Notes must comply with all applicable laws and regulations in force in each jurisdiction in which it purchases, offers or sells the Notes or possesses or distributes this Offering Memorandum, and must obtain any consent, approval or permission required for the purchase, offer or sale by it of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes purchases, offers or sales. Persons into whose possession this Offering Memorandum or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of Offering Memorandum and the offering and sale of Notes. In particular, there are restrictions on the offer and sale of the Notes, and the circulation of documents relating thereto, in certain jurisdictions including the United States, Member States of the EEA and the United Kingdom and to persons connected therewith. See "*Notice to investors*." We do not make any representation to you that the Notes are a legal investment for you.

We have applied to have the Notes listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market of the Luxembourg Stock Exchange. In the course of any review by a competent authority, we may be required (under applicable law, rules, regulations or guidance applicable to the listing of securities or otherwise) to make certain

changes or additions to or deletions from the description of our business, financial statements and other information contained herein in producing listing particulars for such listing. Comments by a competent authority may require significant modification or reformulation of information contained in this Offering Memorandum or may require the inclusion of additional information in the listing particulars. We may also be required to update the information in this Offering Memorandum to reflect changes in our business, financial condition or results of operations and prospects since the publication of this Offering Memorandum. We cannot guarantee that such application for the admission of the Notes to listing of the Notes on the Official List of the Luxembourg Stock Exchange and trading on the Euro MTF Market will be approved as of the settlement date for the Notes or at any time thereafter, and settlement of the Notes is not conditioned on obtaining this listing. Following the listing, the relevant listing particulars will be available at the offices of the Paying Agent.

In connection with the Offering, the Initial Purchasers are not acting for anyone other than the Issuer and will not be responsible to anyone other than the Issuer for providing the protections afforded to their clients nor for providing advice in relation to the Offering.

Stabilization

IN CONNECTION WITH THE OFFERING, J.P. MORGAN AG (THE "**STABILIZING MANAGER**") (OR ANY PERSON ACTING ON BEHALF OF THE STABILIZING MANAGER) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILIZING MANAGER (OR ANY PERSON ACTING ON BEHALF OF THE STABILIZING MANAGER) WILL UNDERTAKE STABILIZATION ACTION. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 CALENDAR DAYS AFTER THE ISSUE DATE AND 60 CALENDAR DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. ANY STABILIZATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILIZING MANAGER (OR PERSONS ACTING ON ITS BEHALF) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND REGULATIONS. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE "*PLAN OF DISTRIBUTION*."

Notice to investors in the United States

This Offering Memorandum is being submitted on a confidential basis in the United States to a limited number of QIBs for informational use solely in connection with the consideration of the purchase of the Notes. Its use for any other purpose in the United States is not authorized. It may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it is originally submitted.

For this Offering, the Issuer, the Guarantor and the Initial Purchasers are relying upon exemptions from registration under the U.S. Securities Act for offers and sales of securities which do not involve a public offering, including Rule 144A under the U.S. Securities Act. Prospective investors are hereby notified that sellers of the Notes and Notes Guarantee may be relying on the exemption from the provision of Section 5 of the U.S. Securities Act provided by Rule 144A. The Notes are subject to restrictions on transferability and resale. Purchasers of the Notes may not transfer or resell the Notes except as permitted under the U.S. Securities Act and applicable U.S. state securities laws. See "*Notice to investors*."

Notice to certain European investors

Prohibition of sales to certain EEA investors

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a

retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a "qualified investor" within the meaning of Article 2(e) of Regulation (EU) 2017/1129 (the "**Prospectus Regulation**").

None of the Issuer, the Guarantor or the Initial Purchasers has authorized, nor do authorize, the making of any offer of Notes through any financial intermediary, other than offers made by the Initial Purchasers, which constitute the final placement of the Notes contemplated in this Offering Memorandum.

The attached offering memorandum has been prepared on the basis that any offer of the securities in any Member State of the EEA (each a "**Relevant State**") will be made pursuant to an exemption under the Prospectus Regulation from the requirement to publish a prospectus for offers of the securities. The attached offering memorandum is not a prospectus for the purposes of the Prospectus Regulation. The securities described in the attached offering memorandum are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor (as defined above) in a Relevant State. No key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling any in scope securities or otherwise making them available to retail investors in a Relevant State has been or will be prepared. Offering or selling the Notes or otherwise making them available to any retail investor in a Relevant State may be unlawful.

Each person located in a Relevant State to whom any offer of securities is made, or who receives any communication in respect of an offer of securities, or who initially acquires any securities, or to whom the securities are otherwise made available, will be deemed to have represented, warranted, acknowledged and agreed to and with each Initial Purchaser and the Issuer that (i) it is a "qualified investor" within the meaning of Article 2(e) of the Prospectus Regulation (or any other relevant laws in that Relevant State); and (ii) it is not a retail investor (as defined above).

MiFID II product governance

Solely for the purposes of the manufacturer's (as defined below) product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer's target market assessment; *however*, and without prejudice to the obligations of the Issuer in accordance with MiFID II, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels. For these purposes, a manufacturer means a person that manufactures an investment product within the meaning of recital 15 of MiFID II and article 9(1) of Commission Delegated Directive (EU) 2017/593 of April 7, 2016 ("**manufacturer**").

Notice to investors in Italy

The offering of the Notes has not been cleared by the *Commissione Nazionale per la Società e la Borsa* ("**CONSOB**") (the Italian securities exchange commission), pursuant to Italian securities legislation and will not be subject to formal review by CONSOB. Accordingly, no Notes may be offered, sold or delivered, directly or indirectly, nor may copies of this Offering Memorandum or of any other document relating to the Notes be distributed in the Republic of Italy, except (a) to qualified investors (*investitori qualificati*) as referred to in Article 2, paragraph (e), of the Prospectus Regulation; and (b) in any other circumstances which are exempted from the rules on public offerings pursuant to Article 1 of the Prospectus Regulation and the implementing CONSOB regulations, including Article 34-*ter* of CONSOB Regulation No. 11971 of May 14, 1999, as amended (the "**Issuer Regulation**") and any other applicable Italian laws and regulations.

The Initial Purchasers have each represented and agreed that any offer, sale or delivery of the Notes or distribution of copies of this Offering Memorandum or of any other document relating to the Notes in the Republic of Italy will be carried out in accordance with all Italian securities, tax and exchange control and other applicable laws and regulations.

Any such offer, sale or delivery of the Notes or distribution of copies of this Offering Memorandum or any other document relating to the Notes in the Republic of Italy must be in compliance with the selling restrictions under (a) and (b) above and must be:

(a) made by *soggetti abilitati* (including investment firms, banks or financial intermediaries, as defined by Article 1, first paragraph, letter r), of Italian Legislative Decree No. 58 of February 24, 1998, as amended (the "**Italian Financial Act**")), to the extent duly authorized to engage in the placement and/or underwriting and/or purchase of financial instruments in the Republic of Italy in accordance with the relevant provisions of the Italian Financial Act, CONSOB Regulation No. 20307 of February 15, 2018, as amended ("**Regulation 20307**"), Italian Legislative Decree No. 385 of September 1, 1993, as amended (the "**Italian Banking Act**"), the Issuer Regulation and any other applicable laws and regulations; and

(b) in compliance with all relevant Italian securities, tax, exchange control and any other applicable laws and regulations and any other applicable requirement or limitation that may be imposed from time to time by CONSOB, the Bank of Italy (including, the reporting requirements, where applicable, pursuant to Article 129 of the Italian Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time) or any other relevant Italian competent authorities.

For a further description of certain restrictions on offers and sales of the Notes and the distribution of this Offering Memorandum in Italy, see "*Notice to investors*."

Notice to investors in the United Kingdom

Prohibition of sales to certain UK investors

The attached offering memorandum has been prepared on the basis that any offer of the securities in the UK will be made pursuant to an exemption under Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA (the "**UK Prospectus Regulation**") from a requirement to publish a prospectus for offers of such securities. The attached offering memorandum is not a prospectus for the purpose of the UK Prospectus Regulation. The securities described in the attached offering memorandum are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No. 2017/565 as it forms part of domestic law by virtue of the EUWA; (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No. 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling any in scope securities or otherwise making them available to retail investors in the UK has been or will be prepared. Offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful.

This Offering Memorandum is for distribution only to, and is only directed at, persons who (i) are outside the United Kingdom, (ii) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended, (the "**Financial Promotion Order**"), (iii) are persons falling within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the Financial Promotion Order or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) in connection with the issue

or sale of any Notes may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons"). This Offering Memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Offering Memorandum relates is available only to relevant persons and will be engaged in only with relevant persons. This Offering Memorandum has not been approved by the Financial Conduct Authority or any other competent authority. Any person who is not a relevant person should not act or rely on this Offering Memorandum or any of its contents.

UK MiFIR product governance / Professional investors and ECPs only target market

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**UK MiFIR**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the manufacturers' target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

Notice to prospective investors in Hong Kong

The Notes may not be offered or sold by means of any document other than (i) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder or (ii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32, Laws of Hong Kong) or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the Notes of such series may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to Notes of such series which are or are intended to be disposed of only to persons outside Hong Kong or only to ''professional investors'' within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Notice to prospective investors in Singapore

This Offering Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Offering Memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA. Where the Notes are subscribed or purchased under Section 275 by a relevant person, which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more

individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the shares under Section 275 except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; (2) where no consideration is given for the transfer; or (3) by operation of law. *Singapore Securities and Futures Act Product Classification*—Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the SFA, the Issuer of the Notes has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Notes are "prescribed capital markets products" (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Notice to prospective investors in Switzerland

The Notes may not be publicly offered or sold, directly or indirectly, in or from Switzerland.

In accordance with article 109 of the Swiss Financial Service Ordinance, neither this Offering Memorandum nor any other offering or marketing material relating to the Notes constitutes a prospectus as such term is understood pursuant to Article 652a or Article 1156 of the Swiss Code of Obligations, as such articles were in effect immediately prior to the entry into effect of the Swiss Financial Services Act, or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland, and neither this Offering Memorandum nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this Offering Memorandum nor any other offering or marketing material relating to the offering nor the Issuer nor the Notes has been or will be filed with or approved by any Swiss regulatory authority. The Notes are not subject to the supervision by any Swiss regulatory authority, *e.g.*, the Swiss Financial Market Supervisory Authority FINMA, and investors in the Notes will not benefit from protection or supervision by such authority.

THIS OFFERING MEMORANDUM CONTAINS IMPORTANT INFORMATION WHICH YOU SHOULD READ BEFORE YOU MAKE ANY DECISION WITH RESPECT TO AN INVESTMENT IN THE NOTES.

Forward-looking statements

This Offering Memorandum includes forward-looking statements within the meaning of the securities laws of certain applicable jurisdictions. These forward-looking statements include, but are not limited to, all statements other than statements of historical facts contained in this Offering Memorandum, including, without limitation, those regarding the Issuer's and its consolidated subsidiaries (collectively, the "**Group**") future financial position and results of operations, their strategies, plans, objectives, goals and targets, future developments in the markets in which the Group participates or is seeking to participate or anticipated regulatory changes in the markets in which the Group operates or intends to operate. In some cases, you can identify forward-looking statements by terminology such as "aim," "anticipate," "believe," "continue," "could," "estimate," "expect," "forecast," "guidance," "intend," "may," "plan," "potential," "predict," "projected," "should," or "will" or the negative of such terms or other comparable terminology.

By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors because they relate to events and depend on circumstances that may or may not occur in the future. We caution you that forward-looking statements are not guarantees of future performance and are based on numerous assumptions and that our actual results of operations, including our financial condition and liquidity and the development of the industries in which we operate, may differ materially from (and be more negative than) those made in, or suggested by, the forward-looking statements contained in this Offering Memorandum. In addition, even if our results of operations, including our financial condition and liquidity and the development of the industries in which we operate, are consistent with the forward-looking statements contained in this Offering Memorandum, those results or developments may not be indicative of results or developments in subsequent periods. Important risks, uncertainties and other factors that could cause these differences include, but are not limited to:

- the impact of the COVID-19 or other future pandemic on our business, financial condition and results of operations;
- risks related to the services we provide to government and other public entities;
- risks related to dependence on public sector and healthcare customer contracts;
- risks related to delayed payments from public sector entities and healthcare customers;
- risks related to the increase in DSOs and liquidity constraints following the Refinancing;
- unfavorable economic conditions and political uncertainty in Italy and the other countries where we operate;
- risks related to certain proceedings involving ANAC and CONSIP, as well as claims of anti-competitive practices;
- loss of major customers, re-insourcing, and/or deterioration in commercial terms upon renewal of contracts with major customers;
- impact of competitive pressures;
- impact of the centralization of procurement contracts in the public sector and healthcare;
- impact of current and future public spending cuts or new outsourcing policies among public sector entities;
- risks related to the termination of PSE and healthcare customer contracts;
- risks related to our subcontractors' or consortium partners' activities;
- risks related to our inability to provide responsive customer service and quality of service delivery;

- risks related to broader capabilities and geographic coverage of our competitors;
- risks related to our inability to obtain performance or bid bonds, securities or guarantees and to the enforcement of our existing performance or bid bonds, securities or guarantees;
- risks related to our inability to win new contracts, including competitively awarded contracts;
- inability to accurately estimate future costs of our services;
- risks related to the uncertain outcome of tenders which require significant resources to participate;
- liability risks related to the sterilization of laundry and surgical instruments and certain other services we provide;
- risks associated with our environmental responsibilities and other regulatory requirements;
- risks related to increased personnel costs;
- risks related to potential variation of backlog;
- risks related to start-ups and acquisitions, business integration, dismissal or divestments;
- risks related to international expansion and operations;
- risks related to the collective bargaining agreement applicable to cleaning and facility management and to employee leasing arrangements;
- risks related to claims from our employees;
- risks related to the operations of temporary joint associations partners, consortium partners and subcontractors;
- risks related to the actions of our employees, managers or agents;
- risks related to failure of our information technology system;
- risks related to cybersecurity, data loss, data theft, unauthorized access or successful hacking;
- risks related to fluctuations in costs of raw materials and other commodities;
- risks related to capital expenditure diverting cash flow from other uses;
- risks related to the impairment of goodwill;
- risks related to the adequacy of insurance coverage;
- risks related to labor disruptions;
- risks related to inability to retain key employees;
- risks related to litigation, arbitration and other legal proceedings;
- risks related to tax and social security audits and investigations;
- risks related to loss of certifications and licensing requirements;
- risks related to the transportation of patients and storage, management and transportation of drugs;
- risks related to food safety and the food supply chain;
- risks related to safeguarding privacy of data;
- risks related to failures in internal controls;

- risks related to our presentation of financial information;
- risks related to our capital structure;
- risks related to our indebtedness;
- risks related to the Notes, the Notes Guarantee and the Collateral; and
- other factors discussed in this Offering Memorandum.

We urge you to read the sections of this Offering Memorandum entitled "*Risk factors*," "*Management's discussion and analysis of financial condition and results of operations*," "*Industry*," "*Business*" and "*Limitations on validity and enforceability of the Notes Guarantee and security interests and certain insolvency law considerations*" for a more complete discussion of the factors that could affect the Group's future performance and the markets in which it operates. In light of these risks, uncertainties and assumptions, the forward-looking events described in this Offering Memorandum may not occur. These forward-looking statements speak only as of the date on which the statements were made. We undertake no obligation to update or revise any forward-looking statement or risk factors, whether as a result of new information, future events or developments or otherwise. All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Offering Memorandum, including those set forth under "*Risk factors*."

The risks set forth under "*Risk factors*" are not exhaustive. Other sections of this Offering Memorandum describe additional factors that could adversely affect our business, financial condition or results of operations. Moreover, we operate in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for us to predict all such risks; nor can we assess the impact of all such risks on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, prospective investors should not place undue reliance on forward-looking statements as a prediction of actual results.

Presentation of financial information

Financial statements

All historical financial information presented in this Offering Memorandum is that of the Issuer and its consolidated subsidiaries. Prior to July 2, 2018, the Issuer's previous name was "Manutencoop Facility Management S.p.A." References to "MFM" or "Manutencoop Facility Management" in this Offering Memorandum refer to the Issuer and the Group, as applicable, prior to July 2, 2018, unless the context requires otherwise or is clear from the context.

In particular, this Offering Memorandum includes and presents (i) a convenience translation into English of the audited consolidated financial statements of the Issuer and its consolidated subsidiaries as of and for the years ended December 31, 2017, 2018 and 2019, prepared in accordance with the International Financial Reporting Standards adopted by the European Union ("**IFRS**"), audited by EY S.p.A. ("**EY**") (collectively, the "**Audited Consolidated Financial Statements**") and a convenience translation into English of the auditors' reports, with respect thereto, dated April 12, 2018, April 19, 2019 and April 9, 2020, respectively and (ii) a convenience translation into English of the unaudited interim condensed consolidated financial statements of the Issuer and its consolidated subsidiaries as of and for the nine months ended September 30, 2019 and 2020, prepared in accordance with International Accounting Standard 34 ("**IAS 34**") — Interim Financial Reporting (the "**Unaudited Interim Condensed Consolidated Financial Statements**" and, together with the Audited Consolidated Financial Statements, the "**Financial Statements**"). The Financial Statements in Italian and EY reports thereon are not included or incorporated by reference in this Offering Memorandum.

The results of operations of the Issuer and its consolidated subsidiaries for the nine months ended September 30, 2019 as presented in this Offering Memorandum have been restated to classify Gruppo Sicura (as defined below) as discontinuing operations in accordance with IFRS 5 as further described below under "*—Changes in our scope of consolidation*."

EY's report on the Issuer's consolidated financial statements as of and for the year ended December 31, 2019 was unqualified but did contain an emphasis of matter paragraph regarding disclosures made by our directors and contained in the explanatory notes with respect to contingent liabilities arising from fines levied by the Italian Competition Authority (*Autorità Garante della Concorrenza e del Mercato*) on May 9, 2019 and the related effects on the consolidated financial statements. See also Note 20 to the Audited Coordinated Financial Statements as of and for the year ended December 31, 2019.

The unaudited financial information for the twelve months ended September 30, 2020 (i.e. the last twelve months) has been derived by subtracting from the audited consolidated income statement of the Issuer and its consolidated subsidiaries for the year ended December 31, 2019 the information from the unaudited interim condensed consolidated income statement for the nine months ended September 30, 2019, restated to classify Gruppo Sicura as discontinued operations, and adding the information from the unaudited interim condensed consolidated financial statements for the nine months ended September 30, 2020.

The Audited Consolidated Financial Statements and the Unaudited Interim Condensed Consolidated Financial Statements contained in the F-Pages to this Offering Memorandum should be read in conjunction with the relevant notes thereto. Prospective investors are advised to consult their professional advisors for an understanding of: (i) the differences between IFRS and other systems of generally accepted accounting principles and how those differences might affect the financial information included in this Offering Memorandum and (ii) the impact that future additions to, or amendments of, IFRS principles may have on the Issuer's results of operations and/or financial condition, as well as on the comparability of the prior periods.

Certain numerical figures set out in this Offering Memorandum, including financial and certain operating data presented in millions or in thousands, have been subject to rounding adjustments. Accordingly, in certain instances, the sum of the numbers in a column or a row in tables may not

conform exactly to the total figure given for that column or row or the sum of certain numbers presented as a percentage may not conform exactly to the total percentage given.

In order to facilitate comparison of the Group's cash generation on a constant perimeter basis with regards to the most significant changes in its scope of consolidation in recent years, management tracks *Pro Forma* Normalized EBITDA on an unaudited basis as though the acquired (Naprzód) and disposed (Gruppo Sicura) businesses had been acquired/disposed (as applicable) on January 1, 2018. Management believes this view of *Pro Forma* Normalized EBITDA assists readers to view the business as a whole, and provides meaningful and relevant financial information that is useful in evaluating the Group's ongoing operations, in the same manner as management views and operates the business, when read in conjunction with the Issuer's audited consolidated financial statements and the accompanying notes. The adjustments are prepared on a different basis than the consolidated financial statements of the Issuer and such information is not intended to be compliant with IFRS or any other accounting standards or Regulation S-X or other SEC rules or guidance, is unaudited and based on a number of assumptions that are subject to inherent uncertainties.

The Merger and interest expense for the year ended December 31, 2018

On October 13, 2017, the parent company of the Issuer, Manutencoop Società Cooperativa ("**MSC**") undertook a corporate reorganization and refinancing of the Group pursuant to which the equity holdings of all minority shareholders of MFM were purchased by MSC. As part of such transaction, MSC transferred the shares it held in MFM to a newly-established holding company, CMF S.p.A. (such company, from its formation on May 25, 2017 through the date of the Merger (as defined below), "**CMF**"), as the new direct parent of MFM. CMF was established for the purpose of issuing €360.0 million aggregate principal amount of 9.00% Senior Secured Notes due 2022 (the "**CMF Existing Notes**") issued on July 6, 2017, the net proceeds of which were used, upon the release of such proceeds from escrow on October 13, 2017, along with subordinated shareholder funding provided by MSC, to purchase 100% of the outstanding capital stock of MFM then held by the minority shareholders and repaying the other financial indebtedness of the Group, including MFM's €300.0 million aggregate principal amount of 8.50% Senior Secured Notes due 2020 (the "**MFM Notes**"). On July 1, 2018, CMF completed a merger by incorporation into the Issuer in accordance with Article 2501-*bis* of the Italian Civil Code (the "**Merger**"), as a result of which Rekeep S.p.A. became the issuer of the indebtedness under the CMF Existing Notes. As the Merger's statutory, accounting and tax effects were applicable as of July 1, 2018, (i) the CMF Existing Notes issued on July 7, 2017 are not reflected on the Issuer's statement of financial position as of December 31, 2017 (although a liability of approximately €203.0 million is reflected under the proceeds loan from CMF to MFM, representing the portion of the net proceeds of the CMF Existing Notes on-lent to MFM to satisfy and discharge the MFM Notes on October 13, 2017), (ii) the financial expenses line item to the Issuer's consolidated income statement for the years ended December 31, 2017 and 2018 do not reflect the full interest charges associated with the CMF Existing Notes (rather such line item prior to July 1, 2018 reflects the interest expenses associated with the proceeds loan from CMF to MFM which was in the amount of approximately €203.0 million and, prior to October 13, 2017, the interest expense associated with the MFM Notes) and (iii) the consolidated statement of cash flows for the years ended December 31, 2017 and 2018 do not fully reflect the cash flow used in financing activities associated with the CMF Existing Notes (rather such line item prior to July 1, 2018 reflects the financing cash flow associated with the proceeds loan from CMF to MFM and, prior to October 13, 2017, the financing cash flow associated with the MFM Notes and certain other indebtedness of MFM repaid with a portion of the CMF Existing Notes).

To facilitate the review of this Offering Memorandum by investors, we present hereunder, under "*Management's discussion and analysis of financial condition and results of operations*" and other sections certain unaudited *pro forma* capsule information regarding interest expense associated with the CMF Existing Notes prepared for illustrative purposes only which is not intended to represent what our actual interest expense would have been had the Merger and

related financing transactions occurred on January 1, 2018 nor does it purport to project our results of operation at any future date. Certain unaudited *pro forma* capsule information regarding interest expense associated with the CMF Existing Notes was prepared based on certain assumptions and estimates that we believe are reasonable and investors are cautioned against placing undue reliance thereon. See also Note 3 to our Audited Consolidated Financial Statements as of and for the year ended December 31, 2018.

For the period from January 1, 2018 to July 1, 2018, CMF recorded €17,705 thousand in interest expense associated with the CMF Existing Notes, of which a portion was included in the Audited Consolidated Financial Statements as of and for the year ended December 31, 2018, associated with interest expense on the proceeds loan. The amount not recorded in our financial statements was €8,679 thousand.

As a result of the foregoing, investors may find it more difficult to compare and discern trends in our results of operations and financial condition for the years ended December 31, 2017 and 2018 as compared to the year ended December 31, 2019.

See "*Management's discussion and analysis of financial condition and results of operations—Factors affecting the comparability of our results of operations—The Merger and interest expense for the year ended December 31, 2018*."

Changes in our scope of consolidation

During the periods under review, we completed certain dispositions of existing business units and acquired certain businesses which were subsequently integrated into the Group that changed our scope of consolidation.

Dispositions

For the dispositions, these relevant companies and operating activities were deconsolidated during the year of the closing of the relevant disposition, with the effect that revenue, costs and results of operations of each disposed business were deconsolidated in the consolidated financial information of the Issuer and its subsidiaries from the date on which the control over the company was transferred to the buyers. In certain instances, such as when management committed to a plan to sell an asset or the sale of the asset was highly probable, in accordance with IFRS 5 (*Non-current Assets Held for Sale and Discontinued Operations*), our financial position and results of operations have been restated, meaning (i) the assets (or disposal group) held for sale were not depreciated, but are measured at the lower of carrying amount and fair value less costs to sell, and are presented separately in the statement of financial position, (ii) the sum of the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognized as the measurement to fair value less cost to sell or fair value adjustments on the disposal of the assets (or disposal group) was presented as a single amount on the face of the statement of comprehensive income, (iii) the results of operations of such assets (or disposal group) was identified as relating to discontinued operations and is presented in that separate statement, and (iv) the net cash flows attributable to the operating, investing, and financing activities of a discontinued operation was separately presented on the face of the cash flow statement or disclosed in the notes.

On February 13, 2020, we entered into a binding agreement to sell the entire share capital of Sicura S.p.A. (Sicura S.p.A. and its subsidiaries, "**Gruppo Sicura**") to Argos Wityu, a pan-European private equity firm. Gruppo Sicura carried out the Group's business unit offering integrated services, products and systems for security management, environment and health and safety in the workplace. The disposal was completed on February 28, 2020. In accordance with IFRS 5, at the reporting date of the Audited Consolidated Financial Statements as of and for the year ended December 31, 2019, the value of the assets relating to Gruppo Sicura and the associated liabilities was reclassified as "Assets held for sale" and "Liabilities associated with assets held for sale". Additionally, in accordance with IFRS 5, Gruppo Sicura was reported as "Discontinued operations" in the Unaudited Interim Condensed Consolidated Financial Statements as of and for

the nine months ended September 30, 2020 and therefore its results of operations were reported in a separate line item ("Profit/(loss) from discontinued operations") and the comparative results of operations for the nine months ended September 30, 2019 were restated and reclassified to the same income statement line item.

On September 22, 2020, Yougenio was formally placed in liquidation with the aim of completing this process as soon as possible. Wholly owned by the Issuer, Yougenio was established to provide services to private consumers through an e-commerce platform, thus permitting the Group to enter the business-to-consumer ("**B2C**") services market with a business plan that projected a period of start-up of operations until the 2019 financial year. Following the close of the year ended December 31, 2019, our management assessed the investment as non-strategic in this market segment as it did not show the expected synergies with the more traditional facility management activities carried out by the Group. For the year ended December 31, 2019, and for the nine months ended September 30, 2020, Yougenio generated revenues of €4.1 million and €0.6 million, respectively. In May 2020, Yougenio's online services were suspended and work commenced to wind down operations, for which any and all possible options were considered for the Group's exit from the B2C and small accommodation facilities market. As Yougenio was placed in liquidation on September 22, 2020, the consolidation of Yougenio for the Unaudited Interim Condensed Consolidated Statements was carried out using the equity method and therefore the Group's operating results exclude the results of Yougenio for the nine months ended September 30, 2020. The Group's financial information for the twelve months ended September 30, 2020 (i) includes the consolidation of Yougenio's contribution to the Group's results of operations from October 1 to December 31, 2019 and (ii) excludes Yougenio's contribution for the period following December 31, 2019. Additionally, all historical financial information presented in this Offering Memorandum includes Yougenio for all periods prior to January 1, 2020.

Acquisitions

For the acquired businesses, these relevant companies and operating activities were consolidated during the year of their respective acquisitions' closing, with the effect that revenue, costs and results of operations of each acquired business were reflected in the Audited Consolidated Financial Statements from the date on which the control over the company was transferred to us. The following sets forth our most sizeable acquisitions completed under the periods under review:

- on February 28, 2018, we completed the acquisition of 1% of the issued and outstanding share capital of EOS (as defined herein), following which the Group gained control of EOS as 50% of its share capital was already held by Servizi Ospedalieri S.p.A. and therefore the company was fully consolidated on a line-by-line basis;
- on July 3, 2018, we completed the acquisition of 60% of the issued and outstanding share capital of Medical Device S.r.l., which was therefore fully consolidated on a line-by-line basis; and
- on August 2, 2019, we signed an agreement to acquire 80% of the issued and outstanding share capital of Naprzód; the acquisition closed on October 30, 2019 and the Naprzód Group was fully consolidated for accounting purposes as of November 1, 2019. The Naprzód Group accounted for €82.7 million of our revenue for the nine months ended September 30, 2020.

See Note 4 to the Audited Consolidated Financial Statements as of and for the years ended 2019 and 2018 for certain other non-material acquisitions completed during the periods under review.

For more information regarding the changes in our scope of consolidation and its effect on the comparability of our results of operations, see "*Management's discussion and analysis of financial condition and results of operations—Factors affecting the comparability of our results of operations—Changes in our scope of consolidation*."

First time adoption of IFRS 16 (Leases)

We adopted IFRS 16 (Leases) effective from January 1, 2019. As a result, leases (as lessee) that would have been classified in previous periods as operating leases are recognized in our consolidated statement of financial position as of December 31, 2019. Under the new standard, except for short-term or low-value leases, the right to use a leased asset is recognized as an asset with a corresponding financial liability for the present value of outstanding lease payments. Assets with a finite useful life are subject to impairment testing. We have adopted IFRS 16 under the "modified retrospective approach", under which the cumulative effect of the first-time adoption of the standard is reported as an adjustment to the opening balance of profits carried forward at January 1, 2019.

However, to foster comparability between the financial statements for the years ended December 31, 2019 and 2018, the Group, in the notes to the Audited Consolidated Financial Statements, presents the comparison between the major line items of the consolidated financial statements for the two financial years applying IFRS 16 starting January 1, 2018. The effects of the application of IFRS 16 to the December 31, 2018 audited consolidated financial statements are presented in a note to the Audited Consolidated Financial Statements and are reported elsewhere herein.

The tables presented in "*Management's discussion and analysis of financial condition and results of operations*" present the financial data as of and for the year ended December 31, 2018 applying IFRS 16 from January 1, 2018.

The accounting effects of IFRS 16 resulted in the recognition of €42.9 million of lease obligations as of December 31, 2019 related to lease liabilities (as compared to €48.6 million as of December 31, 2018 using the modified retrospective method).

As a result of the application of these new accounting standards and the associated impact on our consolidated financial statements, prospective investors should exercise particular caution when comparing our financial condition and results of operations as of and for the year ended December 31, 2017 to our financial condition and results of operations as of and for the years ended December 31, 2018 and 2019. See also "*Management's discussion and analysis of financial condition and results of operation—Effect of the IFRS 16 implementation on the consolidated financial statements for the year ended December 21, 2018*."

Non-IFRS financial measures

In this Offering Memorandum, we present certain non-IFRS measures, including EBITDA, EBITDA margin, Normalized EBITDA, Normalized EBITDA margin, *Pro forma* Normalized EBITDA, *Pro forma* Normalized EBITDA margin, Gross Debt, Net Debt, Net interest expense, Net working capital, Adjusted net working capital, Capital expenditures, Gross Leverage, Net Leverage and Ratio of Normalized EBITDA to Net interest expense. We define "EBITDA" as Profit/(loss) after taxes from continuing operations *plus* Income taxes, Gains/(losses) on exchange rate, Financial expenses, Financial income, Dividends and net income/(loss) from sale of investments, Share of net profit of associates, Amortization/depreciation, write-downs and write-backs of assets and (Accrual)/reversal to provisions for risks and charges. We define "Normalized EBITDA" as EBITDA as adjusted for certain non-recurring items, restructuring costs and certain start-up costs related to certain new business initiatives as described in footnote 1 under "*Summary historical consolidated financial information and other data—Other financial information*." We define "*Pro forma* Normalized EBITDA" as Normalized EBITDA as adjusted for certain monitoring fees paid to MSC and the one-month contribution of the Naprzód Group for October 2019 prior to the consolidation of the same following its acquisition (for accounting purposes) on November 1, 2019. We believe that EBITDA, Normalized EBITDA and *Pro forma* Normalized EBITDA are useful indicators to, among others, securities analysts, investors and other parties, of our ability to monitor and assess our operating performance and to incur and service our indebtedness. EBITDA and Normalized EBITDA may not be indicative of our historical operating results, and they are not intended to be indications of potential future results.

We define "Gross Debt" and "Net Debt" as measurements of our indebtedness as described in footnote 3 under "*Summary historical consolidated financial information and other data—Other financial information*." We define "Net interest expense" as financial expenses for the period net of financial income. We define "capital expenditures" as the amount of cash or other liquid assets invested by the Group to acquire or upgrade fixed, physical, non-consumable assets. Our capital expenditure for the periods presented in this Offering Memorandum relate primarily to our Laundering and Sterilization Segment's purchase of linen, laundering machinery and sterilization equipment and surgical instruments. See "*Management's discussion and analysis of financial condition and results of operations—Capital expenditures*." We define "Net working capital" as the sum of our trade receivables and advances to suppliers, inventories, trade payables and advances from customers and other elements of working capital (which includes current tax receivables, income tax payables, other current assets, other current liabilities, assets classified as held for sale, liabilities directly associated with assets classified as held for sale and provisions for risks and charges). We define "Adjusted net working capital" as net working capital as adjusted for the amount of trade receivables off balance-sheet that represent trade receivables sold on a non-recourse basis under our factoring facilities and outstanding at the relevant time. We define "Net Leverage" as the ratio of Net Debt to Normalized EBITDA.

Non-IFRS financial measures, including EBITDA, EBITDA margin, Normalized EBITDA, Normalized EBITDA margin, *Pro forma* Normalized EBITDA, *Pro forma* Normalized EBITDA margin, Gross Debt, Net Debt, Net interest expense, Net working capital, Adjusted net working capital, Capital expenditures, Gross Leverage, Net Leverage and Ratio of Normalized EBITDA to Net interest expense are used by different companies for differing purposes and are often calculated in ways that reflect the circumstances of those companies. You should exercise caution in comparing non-IFRS financial measures, including EBITDA, EBITDA margin, Normalized EBITDA, Normalized EBITDA margin, *Pro forma* Normalized EBITDA, *Pro forma* Normalized EBITDA margin, Gross Debt, Net Debt, Net interest expense, Net working capital, Adjusted net working capital, Capital expenditures, Gross Leverage, Net Leverage and Ratio of Normalized EBITDA to Net interest expense of other companies. The information presented by each of the non-IFRS financial measures, including EBITDA, EBITDA margin, Normalized EBITDA, Normalized EBITDA margin, *Pro forma* Normalized EBITDA, *Pro forma* Normalized EBITDA margin, Gross Debt, Net Debt, Net interest expense, Net working capital, Adjusted net working capital, Capital expenditures, Gross Leverage, Net Leverage and Ratio of Normalized EBITDA to Net interest expense is unaudited and has not been prepared in accordance with IFRS or any other accounting standards. In addition, the presentation of these measures is not intended to and does not comply with the reporting requirements of the SEC; compliance with its requirements would require us to make changes to the presentation of this information.

EBITDA, Normalized EBITDA and *Pro forma* Normalized EBITDA are not measurements of performance under IFRS and you should not consider any of EBITDA, Normalized EBITDA or *Pro forma* Normalized EBITDA as an alternative to pre-tax profit or profit from continuing operations determined in accordance with IFRS, as the case may be, or to cash flows from current operations, cash requirements for investments or cash flow from financing activities. EBITDA, Normalized EBITDA and *Pro forma* Normalized EBITDA have limitations as analytical tools, and you should not consider them in isolation. Some of these limitations are:

- they do not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;
- they do not reflect changes in, or cash requirements for, our working capital needs;
- they do not reflect the significant interest expense, or the cash requirements necessary, to service interest or principal payments on our debt;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often need to be replaced in the future and EBITDA, Normalized EBITDA and *Pro forma* Normalized EBITDA do not reflect any cash requirements that would be required for such replacements; and

- the fact that other companies in our industry may calculate EBITDA, Normalized EBITDA and *Pro forma* Normalized EBITDA differently than we do, which limits their usefulness as comparative measures.

As adjusted financial data

The Offering Memorandum includes unaudited consolidated as adjusted financial data which have been adjusted to reflect certain effects of the Refinancing (i) on interest expense as if the Refinancing had been completed on October 1, 2019, based upon the interest rate of the Notes and assuming that the Revolving Credit Facility was undrawn during the entire period, and (ii) on Net Debt and cash and cash equivalents as if the Refinancing has been completed on September 30, 2020. The unaudited consolidated as adjusted financial data have been prepared for illustrative purposes only and do not purport to represent what the actual interest expense, Net Debt and cash and cash equivalents of the Issuer would have been if the Refinancing had occurred (i) on October 1, 2019 for the purposes of the calculation of interest expense and (ii) on September 30, 2020 for the purposes of the calculation of Net Debt and cash and cash equivalents nor do they purport to project the Issuer's interest expense, Net Debt and cash and cash equivalents at any future date. The unaudited consolidated as adjusted financial data set out in this Offering Memorandum is based on available information and certain assumptions, including that our recourse factoring agreements will remain outstanding following the Refinancing, and estimates that we believe are reasonable and may differ materially from the actual adjusted amounts.

Segment information

We operate in the facility management and laundering and sterilization sectors and we organize, manage and report the following two segments in accordance with IFRS 8 (*Operating Segments*):

- Facility Management Segment; and
- Laundering and Sterilization Segment.

Our Facility Management Segment, as further described under "*Business*," includes the following activities: Cleaning, Technical services, Landscaping and Other facility management services. In the twelve months ended September 30, 2020, our Facility Management Segment generated €900.1 million, or 85.9%, of our total revenue (gross of intra-group eliminations).

Our Laundering and Sterilization Segment, as further described under "*Business*," includes only such eponymous activities. In the twelve months ended September 30, 2020, our Laundering and Sterilization Segment generated €150.7 million, or 14.4%, of our total revenue (gross of intra-group eliminations).

Our consolidated financial statements also present a geographical breakdown of our total revenue. We primarily generate revenue in Italy. However, since 2015, our Group has established facility management operations, *inter alia*, in France (though Rekeep France S.A.S. and its subsidiaries), Turkey (Rekeep United Yönetim Hizmetieri A.Ş.), and Poland (through the Naprzód Group) and our laundering and sterilization operations internationally are centered in Turkey (through our 51% held subsidiary EOS Hijyen Tesis Hizmetleri Saglik Insaat Servis Muhendislik A.Ş. ("**EOS**")). Our international operations are generally in the initial phase of development (i.e. the "start-up phase"), except in Poland where the acquisition of the Naprzód Group gave us a sizeable foothold, but are growing due to both acquisitions and organic contract wins. For the twelve months ended September 30, 2020, our total revenue generated outside of Italy was equal to €122.9 million.

Currency presentation and exchange rate information

In this Offering Memorandum, all references to "**euro**," "**EUR**" or "**€**" are to the single currency of the participating member states of the European and Monetary Union of the Treaty Establishing the European Community, as amended from time to time, all references to "**U.S. dollars**," "**USD**" and "**$**" are to the lawful currency of the United States of America, all references to "**Polish złoty**" (singular), "**Polish złote**" (plural) and "**PLN**" are to the lawful currency of the Republic of Poland and all references to "**Turkish lira**" "**₺**" and "**TL**" are to the lawful currency of the Republic of Turkey.

The following tables set forth, for the periods indicated, the period end, period average, high and low Bloomberg Composite Rates expressed in U.S. dollars per €1.00. The Bloomberg Composite Rate is a "best market" calculation, in which, at any point in time, the bid rate is equal to the highest bid rate of all contributing bank indications and the ask rate is set to the lowest ask rate offered by these banks. The Bloomberg Composite Rate is a mid-value rate between the applied highest bid rate and the lowest ask rate.

The Bloomberg Composite Rate of the euro on January 15, 2021 was $1.2082 per €1.00.

	U.S. dollar per €1.00			
Year	**High**	**Low**	**Average[1]**	**Period end**
2016	1.1532	1.0389	1.1069	1.0520
2017	1.2036	1.0406	1.1303	1.2005
2018	1.2509	1.1218	1.1808	1.1469
2019	1.1543	1.0900	1.1193	1.1214
2020	1.2298	1.0691	1.1420	1.2217

Month	**High**	**Low**	**Average[2]**	**Period end**
July 2020	1.1847	1.1239	1.1473	1.1778
August 2020	1.1936	1.1738	1.1827	1.1936
September 2020	1.1912	1.1631	1.1787	1.1721
October 2020	1.1861	1.1647	1.1766	1.1647
November 2020	1.1963	1.1641	1.1837	1.1927
December 2020	1.2298	1.2071	1.2173	1.2217
January 2021 (through January 15, 2021)	1.2327	1.2082	1.2212	1.2082

(1) The average of the closing Bloomberg Composite Rate (New York) on the last business day of each month during the relevant period.

(2) The average of the closing Bloomberg Composite Rate (New York) on each business day during the relevant period.

Certain definitions

As used in this Offering Memorandum:

"Agents"	the Paying Agent, the Transfer Agent, the Registrar and the Security Agent, collectively
"ANAC"	the Italian National Anti-Corruption Authority (*Autorità Nazionale Anticorruzione*)
"AVCP"	Authority for the Supervision of Public Contracts for Works, Services and Supplies (*Autorità per la Vigilanza sui Contratti Pubblici di Lavori, Servizi e Forniture*)
"BOT"	Build, Operate and Transfer, a type of PPP (as defined below) in which a private sector contractor constructs a public service asset (i.e. a hospital) and receives contractual rights (a concession) to operate set services with regards to that asset for a defined period of time (*e.g.*, provide services to the hospital), after which the services are transferred to the PSE and healthcare customers (which may then establish a new public tender process)
"CAGR"	compound annual growth rate
"CCNL Multiservizi"	the collective bargaining agreement in force as of the date of this Offering Memorandum between labor unions and cleaning and facility management providers such as the Group (*Contratto Collettivo Nazionale di Lavoro per il personale dipendente da imprese esercenti servizi di pulizia e servizi integrati/multiservizi*)
"CMF Existing Notes"	refers to the 9.0% senior secured notes due 2022 initially issued by CMF on July 6, 2017 which will be redeemed with a portion of the Notes offered hereby
"Collateral"	the Issue Date Collateral and the Guarantor Collateral (to the extent the Guarantor Collateral is granted), as described under "*The Offering—Security*" and "*Description of the Notes—Security*"
"CONSIP"	CONSIP S.p.A., an Italian joint stock company fully owned by Italy's Ministry of the Economy and Finance that acts as central purchasing body, offering consulting, assistance and support services to public administration in procuring goods and services
"CONSIP School Contracts Litigation"	the legal proceedings to which, as of the date of this Offering Memorandum, we are a party with respect to a public tender related to the provision of cleaning services at public schools administered by CONSIP in 2012, as described under "*Business—Legal proceedings—CONSIP School Contracts Litigation*"
"Consorzio Stabile CMF"	established on January 9, 2019 as a permanent consortium (*consorzio stabile*), a contractual joint enterprise granted with legal personality in accordance with Article 2603 et seq. of the Italian Civil Code and article 45 of the Current Code on Public Procurement, formed by the Issuer and

	certain other Group companies which together own 99% of its share capital and the remainder by a third-party partner.
"COVID-19"	refers to the new strain of infectious disease caused by the virus "SARS-CoV-2" which was reported in China in December 2019 and has subsequently spread across the world, including Europe
"Current Code on Public Procurement"	Legislative Decree No. 50 of April 18, 2016 and binding and non-binding implementing guidelines issued by ANAC
"DPO"	the weighted average "days payable outstanding" of our trade payables
"DSO"	the weighted average "days sales outstanding" of our trade receivables, calculated as the ratio of trade receivables (after deducting VAT to the invoiced amount of receivables and adding the trade receivables sold via existing factoring facilities without recourse) *divided by* year-to-date revenues *multiplied by* the days of the period to date
"EBITDA"	a non-IFRS, non-audited measurement of our performance as defined under "*Presentation of financial information—Non-IFRS financial measures*"
"entrepreneurial services"	a category of facility management work that includes accounting and control, property management, space planning and purchasing
"Eurozone"	the member states of the European Union participating in the European Monetary Union
"Existing Revolving Credit Facility"	the senior secured revolving credit facility providing for up to €50.0 million dated June 29, 2017 by and between the Issuer as parent and UniCredit Bank AG, Milan Branch, as agent and security agent, and the other lenders thereto which is expected to be canceled in connection with the Refinancing
"Facility Management Segment"	our reporting segment under IFRS that comprises the following businesses: Cleaning, Technical services, Landscaping and Other facility management services (see also "*Presentation of financial information—Segment information*")
"Former Code on Public Procurement"	Legislative Decree No. 163 of April 12, 2006 and Presidential Decree No. 207 of October 5, 2010
"GDP"	gross domestic product
"Group," "us," "we" and "our"	the Issuer and its consolidated subsidiaries, unless the context requires otherwise or is clear from the context
"Guarantor"	Servizi Ospedalieri, unless the Italian Golden Power Authority specifically opposes to the grant of the Notes

	Guarantee in its response to our application to receive the Italian Golden Power Clearance with respect to the Guarantor Collateral
"G20+"	refers to Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, the Republic of Korea, Mexico, Russia, Saudi Arabia, South Africa, Spain, Turkey, the United Kingdom, the United States and the European Union
"healthcare customers"	a category we utilize to organize and analyze our customer base that includes PSEs involved in the healthcare sector; such category does not include the few private sector healthcare customers of the Group which are classified under private sector customers (see also "*Business—Customers and contracts—PSEs and healthcare customers*")
"HVAC"	Heating, ventilation and air conditioning systems
"H2H"	H2H Facility Solutions S.p.A. (formerly known as Manutencoop Private Sector Solutions S.p.A., company incorporated in 2004), a wholly-owned subsidiary of the Issuer since 2008 that offers facility management to private sector customers of the Group
"ICA"	Italian Competition Authority (*Autorità Garante della Concorrenza e del Mercato*)
"infrastructural services"	a category of facility management work that includes cleaning and janitorial services, security services, catering services, reception and porter services
"Italian Civil Code"	the Italian civil code (*codice civile*), enacted by Royal Decree No. 262 of March 16, 1942, as subsequently amended and supplemented
"Italian Golden Power Authority"	the presidency of the Italian Council of Ministries (*Presidenza del Consiglio dei Ministri*)
"Italian Golden Power Clearance"	the obtaining of the unconditional clearances, approvals and consents required to be obtained under the applicable Italian Golden Power Legislation, including any statement from the Italian Golden Power Authority that it lacks or declines jurisdiction or a decision confirming that the request is not subject to filing pursuant to the Italian Golden Power Legislation or the expiry of the applicable review period (or any extension thereof), as applicable, without any decision, communication or act by the competent Italian Golden Power Authority, to the extent that such inaction has the same effect of an explicit unconditional clearance, approval or consent, in each case as determined in the reasonable opinion of the Issuer
"Italian Golden Power Legislation"	Law Decree No. 21 of March 15, 2012, as converted into law and amended by Law No. 56 of May 11, 2012; Law

	Decree No. 105 of September 21, 2019, as converted into law and amended by Law No. 133 of November 18, 2019; and Law Decree No. 23 of April 8, 2020, as converted into law and amended by Law No. 40 of June 5, 2020, each as subsequently amended and supplemented, and including the relevant implementing decrees adopted in relation to the abovementioned laws and regulations
"Italian Public Tender Laws"	the Former Code on Public Procurement and the Current Code on Public Procurement
"Laundering and Sterilization Segment"	our reporting segment under IFRS that includes our laundering and sterilization activities (see also "*Presentation of financial information—Segment information*")
"Medical Device S.r.l."	Medical Device S.r.l., a subsidiary of Servizi Ospedalieri since 2018 that specializes in the production of procedure kits for the healthcare sector
"Merger"	refers to the merger between the Issuer and CMF S.p.A. that occurred on July 1, 2018 in accordance with Articles 2501-*bis* and following of the Italian Civil Code
"MFM Notes"	the 8.5% Senior Secured Notes due 2020 issued by MFM on August 2, 2013 which were satisfied and discharged and ultimately redeemed on November 13, 2017
"MSC"	Manutencoop Società Cooperativa, the holder of 100% of the Issuer's share capital
"Naprzód"	Naprzód S.A., the parent company of the Polish group with the same name operating in the facility management segment for the healthcare sector in that country. Effective November 30, 2020, Naprzód S.A. rebranded to Rekeep Polska S.A.
"Naprzód Group"	Naprzód and its subsidiaries
"Offering"	the offering of the Notes hereby
"PPE"	personal protective equipment, including clothing and other devices designed to protect wearer's body from injury and/or infections
"PPP"	private public partnerships, a model of government service delivery involving the private sector, often in a BOT arrangement
"PSE"	public sector entities which are instrumentalities or state-owned enterprises formed for purposes of carrying out activities or providing services in the public interest and with the use of public funds within the meaning of Article 3 of the Current Code on Public Procurement, as amended, and a category we utilize to organize and analyze our customer base; this category does not include healthcare customers
"Refinancing"	has the meaning given to it under "*Summary—The Refinancing*"

"retention rate"	the ratio between the weighted average of the total value of customer accounts as of the relevant year end who were already customers of the Group as of the year end of the previous year
"Revolving Credit Facility"	the senior secured revolving credit facility providing for up to €75.0 million entered into on January 20, 2021 between the Issuer as borrower and UniCredit S.p.A., as agent and security agent, and the other lenders thereto
"Security Agent"	UniCredit S.p.A., in its capacity as security agent and legal representative (*mandatario con rappresentanza*) under the Indenture and the Intercreditor Agreement and representative (*rappresentante*) of the holders of the Notes pursuant to and for the purposes set forth under Article 2414-*bis*, paragraph 3, of the Italian Civil Code
"Security Documents"	any pledges, agreements and related documents that will be signed and entered into in connection with the granting of the Collateral to secure the obligations of the Issuer under the Notes offered hereby in accordance with the terms of the Indenture (see also "*Description of the Notes—Security*")
"Servizi Ospedalieri"	Servizi Ospedalieri S.p.A., a company incorporated in 1985, a wholly-owned subsidiary of the Issuer since 2007 that operates the Laundering and Sterilization Segment of the Group
"SMEs"	small and medium-sized enterprises
"technical services"	a category of facility management work that includes technical maintenance, control engineering services and energy management services (including HVAC services)
"TJA"	temporary joint associations, a method of entering into consortia which the Group uses along with partners in order to bid for public tenders and provide the goods and services thereunder
"Trustee"	The Law Debenture Trust Corporation p.l.c. in its capacity as trustee under the Indenture and common representative (*rappresentante comune*) of the holders of the Notes pursuant to Articles 2417 and 2418 of the Italian Civil Code
"Yougenio"	Yougenio S.r.l., a former subsidiary of the Issuer that was active in the business-to-consumer segment of the facility management sector that was placed in liquidation on September 22, 2020

Industry and market data

In this Offering Memorandum, we rely on and refer to information regarding our business and the market in which we operate and compete. The market data and certain economic and industry data and forecasts used in this Offering Memorandum were obtained from governmental and other publicly available information, independent industry publications and reports prepared by trade associations and industry consultants, including Interconnection Marketing u. Information Consulting Ges.m.b.H. ("**Interconnection Consulting**") and Precedence Research ("**Precedence Research**"). In this Offering Memorandum, we also utilize statistics prepared by the *Istituto Nazionale di Statistica* (Italian National Statistics Institute) ("**ISTAT**"), the Italian Ministry of Health (*Ministero della Salute*), the International Monetary Fund ("**IMF**") and The World Bank ("**World Bank**").

In addition to the foregoing, certain information regarding markets, market size, market share, market position, growth rates and other industry data pertaining to our business contained in this Offering Memorandum is based on internal estimates or derived from third-party data sets or information in the public record (or a combination of the foregoing) in each case based on assumptions we deem reasonable. Industry publications and forecasts generally state that the information they contain has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. While we believe that each of these studies, publications and any figures derived or presented therein is reliable, none of the Group, the Initial Purchasers, the Trustee or any of the Agents have independently verified such data and cannot guarantee their accuracy or completeness.

In many cases, there is no readily available external information (whether from trade associations, government bodies or other organizations) to validate market related analyses and estimates, requiring us to rely on our own internally developed estimates regarding the industry in which we operate, our position in the industry, our market share and the market shares of various industry participants based on our experience, our own investigation of market conditions and our review of industry publications, including information made available to the public by our competitors. None of the Group, the Initial Purchasers, the Trustee or any of the Agents can assure you of the accuracy and completeness of, or take any responsibility for, such data. Similarly, while we believe our internal estimates to be reasonable, these estimates have not been verified by any independent sources, and none of the Group, the Initial Purchasers, the Trustee or any of the Agents can assure you as to their accuracy or the accuracy of the underlying assumptions used to estimate such data. Unless otherwise indicated, data on our market position and market share is based on revenue for the year ended December 31, 2019 and we adjusted the market data by Interconnection Consulting in order to exclude the catering sub-product group of services which we do not provide in Italy. Our estimates involve risks and uncertainties and are subject to change based on various factors. See "*Risk factors*," "*Industry*" and "*Business*" for further discussion.

In addition, certain of the publications, surveys, analysis, internal estimates, industry data and other information presented in this Offering Memorandum were conducted or prepared prior to or concurrently with the outbreak of the COVID-19 pandemic, which started in late 2019 and has since had a material effect in the countries in which we operate. As a result, this data and information have not been updated to account for the ongoing impact of the COVID-19 pandemic on the markets in the countries in which we operate. Consequently, neither we nor the Initial Purchasers make any representation as to the accuracy or completeness of any such data or information in this Offering Memorandum and you should not place undue reliance on such data and information. See "*Risk factors—Risks related to our business—The COVID 19 pandemic has impacted our operations, and this or other future pandemics could impact our business, financial condition and results of operations*."

Trademarks and Trade Names

We own or have rights to certain trademarks and trade names that we use in conjunction with the operation of our business. Each trademark, trade name or service mark of any other company appearing in this Offering Memorandum belongs to its holder.

Solely for convenience, the trademarks, trade names and copyrights referred to in this Offering Memorandum are listed without the TM, ® or © symbols.

Summary

This summary highlights selected information about the Issuer, the Guarantor, the Group and the Offering contained in this Offering Memorandum. This summary is not complete and does not contain all the information you should consider before investing in the Notes. The following summary should be read in conjunction with, and it is qualified in its entirety by, the more detailed information included in this Offering Memorandum, including the consolidated financial statements of the Issuer and the related notes thereto. You should read this Offering Memorandum carefully in its entirety, including the sections entitled "Risk factors," "Management's discussion and analysis of financial condition and results of operations," "Industry" and "Business," as well as the Financial Statements and the notes thereto included elsewhere in this Offering Memorandum.

Overview

We are the leading provider of facility management services and a leading provider of laundering and sterilization services in Italy, with strong or developing positions in other countries, including Poland through the acquisition of the Naprzód Group, Turkey and France, and with a track record of success through continuous development and focus on delivering highly specialized essential services. We provide integrated facility management services ranging from building and plant maintenance, energy and cooling-related technical services, cleaning services and a variety of specialist services to healthcare providers. We benefit from strong market coverage and positioning in each market segment in which we operate. We serve a diverse range of over 1,500 customers, including public sector entities, healthcare services providers and private sector companies in Italy and in our international markets, supporting them in maintaining and improving the quality, efficiency and safety of their operations. Given the essential nature of the services we provide in the healthcare sector, we are a trusted partner to our customers navigating the challenges of the COVID-19 pandemic.

Our success draws on our long history dating back to 1938 when we began providing services to the Italian state-run railway network. Since 2003, when we were spun off from MSC, our controlling shareholder, to consolidate as an independent group, we have emerged as a multi-disciplinary provider covering most of the areas of facility management and laundering and sterilization services. For example: (i) in the healthcare sector, we provide laundering of linens, sterilization of surgical instruments and management of pharmaceutical logistics, all of which are essential services for the continued adequate care of patients and support our customers' continuity of operations during the COVID-19 pandemic, (ii) in the public sector, we provide daily cleaning, heating and plumbing systems maintenance and landscaping for public schools, state buildings and museums that allow them to receive visitors and users, and (iii) in the private sector, we maintain diverse retail and office spaces and telecommunications towers for our customers which keep their operations running smoothly.

Manutencoop Società Cooperativa, our controlling shareholder, holds 100% of our share capital and has helped us to focus on our core offering and our targeted international expansion. On July 2, 2018, we rebranded from Manutencoop Facility Management to Rekeep. This new brand identity was part of (i) a wider redefinition of the Group's organizational system focusing on the growth of internal resources, the promotion of young talent and an increasingly widespread female presence at the highest levels of the Group and (ii) a repositioning of the Group for growth and development on an international level. Our new brand identity emphasizes our increased international orientation and our aim to continue to take care of the environment that people occupy and to improve their standards of living and working.

We position ourselves as a solution provider rather than a service provider as we are able to offer all of our services on a fully integrated basis and we leverage our deep understanding of our customers' businesses and industries and the regions in Italy where they do business to customize

our services to their needs. Unlike many of our competitors, we deliver solutions by relying significantly on our own expertise and resources. We refer to this ability to implement our business strategy in support of our customers' objectives as a "make" rather than a "buy" approach, which we believe constitutes a key competitive advantage for us. With a headcount of more than 27,000 people, we believe we are the undisputed leader in the Italian facility management market as of the date of this Offering Memorandum.

For the twelve months ended September 30, 2020, we generated total revenue of €1,047 million and *Pro forma* Normalized EBITDA of €116.9 million, corresponding to an 11.2% *Pro forma* Normalized EBITDA margin as percentage of total revenue.

Service offering

We believe we distinguish ourselves through the quality and breadth of the services that we regularly provide to our customers and the custom solutions we can devise both for their facility management and laundering and sterilization needs. Facility management services can be divided into three broad areas: technical, infrastructural and entrepreneurial. We operate across all these three areas. As attested by our market shares and revenues, we particularly excel at providing a wide array of technical services, including technical maintenance and control engineering. Laundering and sterilization services are provided in Italy through Servizi Ospedalieri (and its subsidiaries) and in Turkey through EOS and they mainly involve rental and industrial laundering of bed linens, linen packaging and provision of mattresses as well as sterilization of linen and of surgical equipment.

In addition, we have strong capabilities in infrastructural services as demonstrated by our cleaning unit and we also provide certain support and digital services for enterprises. Recently, through our holding company Rekeep World, we have grown our business in the international "business to business" markets via acquisitions, including in Poland (through the acquisition of the Naprzód Group, leader in Poland for facility management in the healthcare sector) and organic growth, including in France and Turkey, thus leveraging our existing experience in the facility management and laundering and sterilization markets in Italy. Our international activities, which generated 11.7% of our total revenue for the twelve months ended September 30, 2020, along with a strong trend of organic growth characterized by an increased focus on the healthcare sector, fostered our backlog which totaled approximately €2,821 million as of September 30, 2020, an increase of €271 million as compared to September 30, 2019.

On an organizational level, we classify our services to our customers through two reporting segments: the Facility Management Segment which generated 85.9% of total revenues (gross of intra-group eliminations) and 68.2% of EBITDA in the twelve months ended September 30, 2020 and the Laundering and Sterilization Segment which generated 14.4% of total revenues (gross of intra- group eliminations) and 31.8% of EBITDA in the twelve months ended September 30, 2020.

In addition to our service offering, we also position ourselves as value-added partners to our customers, building long-standing relationships based on our industry experience in the public sector, healthcare and certain segments of the private sector such as telecommunications, retail and financial services. We believe we have become trusted providers of essential services to government agencies, healthcare services providers and larger private customers. We also believe that our ability to propose customized solutions, which allowed us to become exclusive providers of facility management and laundering and sterilization services for a number of such customers, has helped us increase or maintain our market share in recent years.

Our strengths

We believe a number of key factors give us a competitive advantage and make our business strong and resilient, including:

Favorable market trends supporting organic growth.

Favorable structural trends, including population growth, aging populations, and greater awareness and demand for healthcare services in general which we believe the COVID-19 pandemic has reinforced, have supported the growth of our addressable market and permitted us to consolidate a leading position in the facility management, laundering and sterilization markets in Italy. We have leveraged our leading position and expertise in Italy to take advantage of opportunities to expand our business internationally. We expect these favorable structural trends will continue to provide opportunities to drive our growth, in particular in the healthcare sector.

Additionally, we operate in an industry that has performed strongly over time and we expect this trend to continue. The Italian facility management and laundering and sterilization markets have historically outpaced GDP growth. According to Interconnection Consulting, the Italian facility management outsourced market is expected to report a CAGR of 1.0% over the period 2019 to 2023. We believe this demonstrates the non-discretionary nature of the solutions we provide and the resiliency of our business model.

We also expect the trend towards fewer and larger public tenders in Italy organized by regional clearinghouses on behalf of PSEs and healthcare customers that typically involve larger geographical areas and increased quality and financial requirements to continue, permitting us to compete based on our offering, leverage our scale and our capabilities delivering services at multiple locations, rather than simply by price. As the market leader in Italy with superior capabilities to deal with larger projects, we believe we are well positioned to benefit from these trends and further strengthen our leadership position.

Moreover, we have benefitted and expect we will continue to benefit from a trend towards the outsourcing of facility management. Customers recognize that to outsource their non-core functions to us helps promote their operational efficiency whilst generating cost savings. Interconnection Consulting estimates that external facility management services markets will grow steadily as more and more companies and PSEs look to outsource large parts of their operations. The portion of the Italian facility management market that is already outsourced is expected to grow and reach €35.7 billion in 2023, with a CAGR of 1.0% from 2019 to 2023. We believe there is significant untapped potential in the outsourcing of facility management in Italy, as outsourcing trends are expected to accelerate in the context of a difficult economic conditions following the COVID-19 pandemic (source: Interconnection Consulting). Therefore, we believe that outsourcing trends will continue and serve to increase our addressable market, permitting us to further consolidate our leadership and concentrate on larger, more complex tenders where our scale and capabilities add value.

We are also well positioned to address customers' increasing preference for integrated "one-stop-shop" solution providers that can offer a full range of services. Our size, skills and experience enable us to tailor our services according to customer needs, which are becoming more complex and specialized due to more robust certification requirements, growing energy efficiency initiatives and increasing outsourcing trends in both the public and private sectors. We have taken advantage of these trends to become a leading provider of facility management, laundering and sterilization services to the healthcare sector in Italy. Our international expansion in France and Turkey, which we have achieved organically, and in Poland, which we have achieved through the acquisition of the Naprzód Group, are further examples of our business growing to take advantage of favorable market trends, with a focus on the healthcare sector. On an illustrative basis, had the Naprzód Group been included in our scope of consolidation for the

twelve months ended September 30, 2019 (the acquisition was completed on November 1, 2019), based on the financial information provided to us by the sellers and using the average exchange rate for Polish złote for the relevant period, our consolidated Normalized EBITDA would have been €110.5 million and we would therefore have recorded a 5.8% increase as compared to the twelve months ended September 30, 2020 to €116.9 million in *Pro forma* Normalized EBITDA, showing the strong underlying performance of our business on a constant perimeter.

Leading integrated facility manager operating in a fragmented industry.

We believe we are the largest facility management services provider in a highly fragmented Italian market. Extrapolating from the market figures provided by Interconnection Consulting, we were the leading player with a market share of 2.8% in 2019, by far the most consolidated player as the second largest facility management group had a market share of slightly more than half of ours at 1.3%. We believe no competitor can match the extent of our services and capabilities or our broad focus on a large array of segments, making us a "one stop shop" for our customers. Following the Naprzód Group acquisition in 2019, the leader in Poland for facility management in the healthcare sector, we expect to maintain and grow its leadership in integrated facility management in Poland with a focus on the healthcare sector using our existing facility management know-how and focus on operational synergies. Moreover, in the healthcare sector of the Italian laundering and sterilization market, we are one of the only two players with national scale and we were the second largest player in 2019 with a market share of 17.7%.

In Italy we have historically gained market share from a variety of competitors and defended our market position from foreign entrants. We maintain long-term relationships with many of our customers that allow us to have access to additional revenues deriving from discretionary and non-discretionary spending. With a team of public tender specialists across our Facility Management Segment and Laundering and Sterilization Segment, the considerable resources invested in technical evaluation and preparation of bids, as well as the depth of our service offering and national coverage in Italy, we believe we are well-positioned to defend and/or gain market share in Italy. Our long-standing relationships with healthcare, PSEs and private customers have fostered a trust-based relationship.

Our international expansion, in particular in Poland, and with further growth expected in our French and Turkish operations, will leverage our existing experience with our markets and customers to replicate our successful model in Italy as we build upon our international service offering.

Essential service provider with a clear focus on the healthcare sector.

We are a fully integrated facility management operator providing essential and specialist services to our customers, including logistical and technical maintenance, laundering and sterilization. We are a key player in the healthcare sector with a diversified customer base as demonstrated by approximately 59% of our revenues for the twelve months of September 30, 2020 being generated by healthcare customers and approximately 75% of our backlog as of September 30, 2020 being attributable to contracts secured with healthcare customers. We have more than 300 healthcare sector customers and we provide services to over 500 hospitals in Italy and Poland, including some of the largest and most respected public and private health institutions. We believe we have the broadest range of healthcare services among our competitors, with around 7,000 specialist employees operating in (i) hygiene (more than 5,000 specialist employees), (ii) integrated services and (iii) sanitation and disinfection of surgical equipment and materials. The indispensable nature of our services is demonstrated through our ability to offer sanitation and disinfection services to intensive care units, our 24/7 emergency services and our assistance in the setting up of triage centers for COVID-19 patients at various hospitals in Italy, assisting healthcare providers to dispense care to their patients, re-arrange their wards and maintain continuity of operations during the COVID-19 pandemic.

We believe our capacity to offer a wide range of integrated services and the essential nature of some of these services represents a significant opportunity for our customers, who can rely on a single supplier without compromising the quality of the services rendered.

Long tenured and diversified PSE and private customer base.

We have a long-standing, high-quality and diversified customer base. Our ability to provide integrated facility management services and geographic proximity allows us to serve as a "one-stop-shop" for reputable and top tier companies and institutions in the healthcare, public and private sectors. Our customers include large PSEs (such as central government ministries, local governments and universities), major public healthcare institutions and leading private companies with a presence across Italy (such as Amazon, NTV-Nuovo Trasporto Viaggiatori (Italo), Michelin, TIM and Wind). Our established network in both our segments throughout Italy positions us to provide services to our customers quickly and continue to develop close, long-standing relationships directly with our customers. We operate in 51 offices and branches in our Facility Management Segment and 29 facilities in our Laundering and Sterilization Segment.

For the year ended December 31, 2019, our top 10 customers generated 21% of our total revenue. Customer relationships exceeding ten years, ranging between five and ten years and lasting less than five years accounted for 45%, 44% and 11%, respectively, of the revenues generated from our top 40 customers for the year ended December 31, 2019.

A highly resilient business with visible and recurring revenue streams.

We believe our customers consider our services as essential in supporting their businesses and operations. They also view our high-quality and technical services as more cost effective than rendering such services internally. The resiliency of our business has translated into long-term contracts with our customers. Our focus on healthcare sector services also provides us with clear visibility on our future revenues. The average term of facility management (healthcare) contracts, laundering contracts and sterilization contracts is 5.3, 3.4 and 4.1 years, respectively, whereas our contracts with private sector customers have an average term of one to three years and three to four years for PSEs. The increase in the volume and sophistication of the healthcare services we provided during the COVID-19 pandemic, including provision of 2,000 tons per month of sanitized hospital clothes, critical PPE, on-site crisis management units deployed to support our healthcare customers and focus on disinfection of high-risk hospital areas, demonstrates our Group's ability to provide our customers with reliable solutions. The healthcare sector generally provides us with opportunities to generate higher profits, reinforced through a shift to a higher-margin product mix, as demonstrated by cash generation in the third quarter of 2020 matching pre-COVID-19 levels despite the drop-in revenue from non-essential PSE and private sector customers with curtailed operations given the nationwide lockdown. Further revenue visibility is gained from our backlog, at €2,821 million as of September 30, 2020, as its absolute value represents the equivalent of almost three years of revenues, at current yearly revenues rates. The backlog is mainly related to contracts with PSEs and healthcare customers, which represent contractually committed future earnings. We have a diverse customer base with a high retention rate with over 1,500 customers and our top 10 customers accounting for only 21% of our revenues in 2019 and an around 90% contract renewal rate as of December 31, 2019 with respect to our top thirty customers for the year ended December 31, 2014.

Asset light model with steady growth and stable profitability.

We have an asset-light financial profile, principally composed of variable costs and with a highly flexible cost structure. Our direct costs mainly relate to specific contracts and management has various levers to match costs with revenue-generating opportunities and redeploy personnel and assets according to bid requirements on the most attractive tenders. We also have tight working capital management practices with a strict focus on invoicing and collections.

Additional flexible costs include those relating to raw materials, outsourced services and personnel recruited under the framework of CCNL Multiservizi which sets forth the transfer of personnel upon transfer of projects or contracts. Out of 27,774 employees as of September 30, 2020, approximately 13,764 workers (approximately 50% of our total workers) are employed by us in the context of specific projects. Labor costs are the single largest component of our cost structure and we spent approximately €216.5 million, €229.4 million and €228.4 million, respectively, in costs for workers employed under CCNL Multiservizi, equal to 69.1%, 73.8% and 81.8% of total labor costs of the Group for such periods. These employees remain employed by the Group while we undertake the relevant projects and contracts to which they are attached.

Our business has demonstrated steady growth and generated a steady profit in recent years. We are highly cash-generative, with low and stable capital expenditure requirements. We believe we produce one of the best-in-class margins in both our Facility Management segment and Laundering and Sterilization segment, as compared to our local and international competitors. For the years ended December 31, 2017, 2018 and 2019, we achieved an average Normalized EBITDA margin of 11.0%. At the segment level, our Facility Management segment had an EBITDA margin (gross of intra-group eliminations) of 8.3% for the twelve months ended September 30, 2020, which we believe to be one of the highest among both Italian and international key competitors, while our Laundering and Sterilization Segment had an EBITDA margin (gross of intra-group eliminations) of 23.0% for the same period, which we believe to be among the highest in the Italian market due to our ability to harness economies of scale, adopt an integrated approach to service delivery and deploy best-in-class technology. As further evidence for our best-in-class margins, according to Precedence Research, we have achieved the second highest average gross margins between 2016 and 2019 out of a sample of eight British, Nordic and American-headquartered integrated facility management providers (present in Italy or not) with an average of gross margin of 12.18% as compared to a mean of 10.31% for the sample consisting of Ecolab Inc. (USA), Compass Group plc (UK), Aramark Corporation (USA), Mitie Group plc (UK), Jones Lang La Salle IP Inc. (USA), ISS World Services A/S (Denmark) and ABM Industries Inc. (USA).

Our strategies

Our objective is to strengthen our position as a leading integrated facility management provider in Italy and to achieve sustainable profitable growth and strong liquidity through the following strategic pillars:

Focus on highly profitable sectors in our Facility Management and Laundering and Sterilization Segments.

We intend to continue to concentrate our efforts on competing in the most profitable sectors by providing an unparalleled service offering and custom solutions throughout Italy and in our international markets to a highly diversified customer base. We intend to fully leverage our positioning in the fastest and largest customer segments, such as the healthcare and PSEs sectors, which are expected to grow at a CAGR of 5.3% and 1.7%, respectively, over the period from 2019 to 2023 according to Interconnection Consulting. Furthermore, we intend to consolidate our leading position in high-margin/less price sensitive services, such as healthcare services and sterilization of surgical instruments, by relying on our fully integrated offering of solutions. Within our Facility Management Segment in Italy, which generated 85.9% of our total revenue in the twelve months ended September 30, 2020, we intend to continue to focus on (i) competing for large public tenders awarded on the basis of technical quality of the service offered rather than solely on a cost basis and (ii) executing framework agreements with the public administration to grow our market share. In addition, we continue to target sector (i) where customer operations can be enhanced and savings generated through outsourcing their facility management activities to us and (ii) where our services are essential for customers' business continuity (including, for example, healthcare, private clinics and infrastructure facilities), to fully

embed our services within our customers operations. Finally, we have developed, and expect to continue to penetrate, growth sectors that include high quality PSEs and private sector names whom we can serve through deployment of our national network, specifically in the transportation (especially rail) and retail (supermarkets) sectors.

Continue to consolidate market presence through bolt-on acquisitions in Italy and in select international markets, replicating our successful business model.

The Italian facility management services industry remains highly fragmented, presenting us with a significant potential for growth, favorable dynamics and attractive, as well as value accretive, acquisition opportunities. We intend to evaluate opportunities to acquire and integrate other service providers in order to strengthen our competitive position, broaden the range of our offering and increase our presence in Italy, Poland and France. We believe our know-how and our ability to offer a large and diversified range of integrated services is a key competitive advantage. We intend to continue to grow through strategic bolt-on acquisitions by focusing on targets that provide access to technical capabilities or geographic coverage that complements our existing capabilities.

Following the positive impact of our past acquisitions, including the acquisitions of Medical Device S.r.l. in 2018, and the Naprzód Group in Poland, in 2019, we intend to continue our internationalization program started at the beginning of 2016 by focusing both on organic growth and disciplined acquisitions. For example, we purchased Medical Device S.r.l. which was then in a complementary niche of the production of surgical kits, and successfully integrated it into our healthcare customer ecosystem, more than trebling its cash generation and successfully winning contracts. We intend to continue to grow selectively within complementary geographic markets, with a focus on markets where we believe we will be able to efficiently leverage our cross-functional and market-oriented business model that allows us to deliver integrated services and provides our customers with seamless assistance across our activities.

Selective further expansion of our business with the development of our historical core activities and new EBITDA accretive initiatives.

We intend to pursue our strategic objective of growth through the planning and development of our historical core activities and new business initiatives and we intend to explore new market opportunities to the extent the expected returns justify the investment. For example, Medical Device S.r.l. and the Naprzód Group offer platforms to further penetrate the healthcare sector in our home market in Italy and in an attractive market in Poland, respectively, and Polish healthcare facility management segment is projected to grow at a CAGR of 4.7% from 2019 to 2022 according to Interconnection Consulting. We believe this to be an attractive consumer-based business model with high growth potential where we can offer a very competitive set of services to households by leveraging on our integrated services expertise and local presence.

Consolidation of our leadership in the public administration segment.

We intend to continue to consolidate our leading position among Italian PSEs and healthcare customers and further increase our market share by acquiring new contracts with large centralized purchasing agencies of Italian PSEs and healthcare customers to achieve high working volumes allowing us to leverage our economies of scale. We intend to use our in-depth knowledge of the requirements and tendering process in the Italian market and our ability to meet regulatory requirements and offer the full range of services required to win new contracts. In particular, the aggregation of PSE contracts through regional purchasing authorities' framework agreements that often comprise a larger range of services and/or geographic areas is particularly attractive because such contracts focus on a combination of cost and quality and award, subject to certain terms and conditions, rights to provide services for up to a set maximum amount in a specified region for a certain period. Our scale and national presence in Italy permits us to quickly begin performing under such agreements and therefore turn public tender wins into ready cash generation. Following successful tender wins under framework agreements, we

intend to continue to actively promote our services to the PSEs in our assigned geographical areas, using our know-how to propose both routine and non-routine services to our customers, thereby realizing the maximum revenues potential thereunder. Our size, technical offering and operational expertise provide us with a compelling advantage to seize such opportunities.

Drive cash flow generation and deleveraging.

We intend to exploit the potential of our business to generate strong cash flows from operations through preserving our high profitability, improving working capital management, maintaining low capital expenditures and continuing to decrease our financial indebtedness. As of December 31, 2017, 2018 and 2019, our Net Debt amounted to €158.9 million, €299.4 million, €341.9 million, respectively and our Net Debt as Adjusted will amount to €357.5 million as of September 30, 2020 with a ratio of Net Debt as Adjusted to *Pro forma* Normalized EBITDA and ratio of Gross Debt as Adjusted to *Pro forma* Normalized EBITDA of 3.1x and 3.6x, respectively. We intend to increase our cash flow generation and maintain our strong profitability, through a razor focus on efficiency improvements aiming to achieve a reduction and optimization of (i) fixed costs, through constant monitoring of general and administrative expenses, (ii) variable costs, by way of optimizing the deployment and utilization of our personnel and renegotiation of agreements with suppliers, and (iii) capital expenditures, by way of rationalization of our major investments (information technology and linen) and adopting consistent internal rate of return thresholds. Following the disposal of certain non-core activities in recent years, such as Gruppo Sicura, MIA and our public lighting business, we are now resolutely focused on extracting synergies and organizational efficiencies in our core business activities. In addition, intend to improve our working capital management by accelerating our invoicing procedures, increasing our focus on customer interaction and strengthening billing and collection procedures through coordinated and organized series of data collection initiatives (i.e. periodic visits to customers). Adjusting for the purchase of Naprzód and the disposal of Gruppo Sicura as if both had occurred on January 1, 2018, for the monitoring fees paid to MSC and reversing the adjustment for Poland's international start-up costs accordingly, we generated *Pro forma* Normalized EBITDA on a constant perimeter of €109 million, €113 million and €117 million for the years ended December 31, 2018 and 2019 and the twelve months ended September 30, 2020, respectively, representing a CAGR of 4.0% over the period. See "*Presentation of financial information—Non-IFRS financial measures*."

Recent developments

Current trading

The estimated unaudited financial information for the year ended December 31, 2020 presented below is based on certain estimates and unaudited management reports prepared since September 30, 2020 and is not intended to be a comprehensive statement of our financial and/or operational results for such period. The estimated unaudited financial information is not prepared in compliance with any published guidelines from the U.S. Securities and Exchange Commission (SEC), CONSOB, the American Institute of Certified Public Accountants for preparation and presentation of estimates, unaudited preliminary financial information or IFRS and it is not comparable with the corresponding financial information disclosed elsewhere in this Offering Memorandum. Our independent auditors have not audited, reviewed, compiled or performed any procedures with respect to such estimated unaudited financial information for the purpose of its inclusion herein. Accordingly, they have not expressed any opinion or provided any form of assurance in relation thereto for the purpose of this Offering Memorandum. Our estimates regarding Normalized EBITDA should not be considered a substitute for, or an indication of our net income for the same period.

The estimated unaudited financial information disclosed below does not take into account any circumstances or events occurring after the ending date of the period to which it refers and is based on a number of assumptions that are subject to inherent uncertainties subject to change.

In addition, while we believe that the estimated unaudited financial information are reasonable and can provide investors with a helpful indication on the development of our results of operations following September 30, 2020, our actual results for the year ended December 31, 2020 may differ materially from the trends disclosed below. As such, you should not place undue reliance on such estimated unaudited financial information. We did not formally close our books and records for any of the months ended October 31, 2020 and November 30, 2020 and have not yet done so for the year ended December 31, 2020. No IFRS financial information for any period after September 30, 2020 is currently available and we have not yet prepared our consolidated financial statements for the year ended December 31, 2020. Our consolidated financial statements as of and for the year ended December 31, 2020 are expected to be finalized and delivered in March 2021. See "Forward-looking statements" and "Risk Factors" for a more complete discussion of factors that could affect our future performance and results of operations.

Based on unaudited management accounts and other information currently available, we estimate that our Normalized EBITDA generation for the year ended December 31, 2020 will confirm the trend observed for the twelve months ended September 30, 2020 and the guidance we published on December 6, 2020. See "*Management's discussion and analysis of financial condition and results of operations—Results of operations—Nine months ended September 30, 2020 compared to the nine months ended September 30, 2019*" and "*Risk factors—Risks related to our business*".

Certain legal proceedings

On December 4, 2020, the Italian Supreme Court (*Corte di Cassazione*) ruled on the false statement registration proceeding against the Issuer, which ANAC initiated in 2014 following a notice filed by the Santobono-Pausilipon Public Health Agency of Napoli to ANAC (the "**Santobono-Pausilipon False Statement Registration Proceeding**"). In particular, it was alleged that the Issuer's application in the context of a public tender procedure in 2013 omitted an affidavit stating that one of the Issuer's attorneys in fact (*procuratore*) had no relevant criminal record.

Based on this allegation, ANAC adopted a decision on November 10, 2017 excluding the Issuer from participating in any public tender procedures and from subcontracting in relation to public contracts for a period of six months (the "**ANAC Santobono-Pausilipon Decision**").

We strongly disagreed with the ANAC Santobono-Pausilipon Decision and vigorously defended our position in the courts maintaining, *inter alia*, that such decision is groundless and based on erroneous legal reasoning and, in any case, it imposes a disproportionate sanction *vis-à-vis* the alleged infringement, for which the Current Code on Public Procurement imposes a mere duty to produce the missing document. In addition, we maintained that we never provided any false information and we had no interest in providing any false declaration in relation to such attorney (*procuratore*) since the latter never had any relevant criminal record. The court of first instance (TAR Lazio) initially agreed with our position and annulled the ANAC Santobono-Pausilipon Decision but this was overturned by the Council of State (*Consiglio di Stato*) and such ruling was sustained by the Italian Supreme Court. The December 4, 2020 decision by the Italian Supreme Court therefore lifted the suspension of the exclusion provided for by the ANAC Santobono-Pausilipon Decision. ANAC entered the ANAC Santobono-Pausilipon Decision in the relevant electronic register on December 25, 2020 and thereafter all public contracting authorities can learn about the ANAC Santobono-Pausilipon Decision. The exclusionary effects of the ANAC Santobono-Pausilipon Decision will end on June 17, 2021. We are considering additional actions to protect our interests, including by challenging the entering of the ANAC Santobono-Pausilipon Decision in the relevant register.

We believe, based on our interpretation of the law, that the exclusion provided by the ANAC Santobono-Pausilipon Decision relates exclusively to Rekeep S.p.A. and therefore will not affect other Group companies (including those operating in our Laundering and Sterilization Segment)

and should not have any direct effect on existing contracts already in the portfolio and included in the Group's backlog (as these contracts have been signed). However, our interpretation may prove to be incomplete or inaccurate and we cannot provide any assurance that the relevant tender authorities or courts, including as a result of claims from our competitors, will adopt the same interpretation of the applicable laws and regulations.

The ANAC Santobono-Pausilipon Decision could potentially result in our disqualification from (i) public tenders in relation to which the Issuer has submitted an offer and the relevant awarding decision is still pending (which constitute our pipeline) for an amount of approximately €341 million as of November 30, 2020 (or approximately 10% of the Group pipeline as of the same date), and (ii) public tenders already awarded to the Issuer for which the relevant contract has not yet been signed (which are not included in our pipeline or registered in our backlog) for an amount of approximately €253 million as of November 30, 2020. These potential negative impacts on our pipeline and awarded contracts pending signature could arise where the relevant contracting authority in respect of each tender procedure, by adopting a specific decision, or a competent administrative court requested to rule on the matter (including as a consequence of motions filed by competitors) were to determine that the effectiveness of the exclusion of the ANAC Santobono-Pausilipon Decision should not be limited to such tender procedures with (i) pending deadlines for submission of offers or (ii) pending dates of the application for qualification, in each case at the time the ANAC Santobono-Pausilipon Decision became effective (despite a recent ANAC regulation which we believe supports our view, but ANAC has asserted does not apply to our situation). Should any of the abovementioned circumstances materialize, we reserve the right to challenge any decision adverse to our interests. Following the entering of the ANAC Santobono-Pausilipon Decision in the relevant electronic register, several public contracting authorities have initiated certain procedures, and our competitors have brought claims, that may result in the exclusion of the Issuer from certain public tenders not yet awarded and/or public tenders awarded for which the relevant contract has not yet been signed, which may also result in the enforcement of the related bid bonds. No such procedures have been initiated or claims brought against any other member of the Group. As of the date hereof, the overall financial impact of losing the public tenders in relation to which such procedures have been initiated, or claims brought, is consistent with the preliminary analysis performed as of the date of the ruling by the Italian Supreme Court further described below.

The ANAC Santobono-Pausilipon Decision does not prohibit the Issuer or any other Group company from participating in any tender procedure launched by private entities. However, the ensuing reputational impacts coupled with the reduction in the scope of the Group's public tenders, might adversely affect its private sector contracts.

Based on our preliminary analysis performed as of the date of the ruling by the Italian Supreme Court and on information available at such date, we estimate a potential impact of the ANAC Santobono-Pausilipon Decision on our revenues of between approximately €13 million and approximately €55 million per annum over an approximately five-year period, calculated on the basis on an average five-year duration of public tenders and based on the Issuer's pipeline of €341 million and €253 million of tenders already awarded to the Issuer for which the relevant contract has not yet been signed, and certain other assumptions, including (i) assumed percentages of 25% to 75% of pending tenders being awarded during the six month exclusionary period, of which only approximately 28% impacts renewals of the current portfolio (as compared to new business opportunities), (ii) the likelihood that the award of the public tenders in which the Issuer has participated will fall within the interdiction period and (iii) the Issuer's historic win rate. We expect that these potential effects on our revenues would occur starting in 2022, as a result of the typical delay between the awarding of a tender and the effective entering into, and performance of the relevant contracts (which historically ranges between 12 and 18 months with respect to our Group). Historically, the Group's pipeline (which includes the value of tenders for which we have submitted a proposal and the outcome is pending) corresponds to tenders submitted by various Group companies, with the Issuer accounting for less than 10% on a consolidated basis as of November 30, 2020.

The occurrence of the potential adverse consequences described above or their indirect effects, including the enforcement of any bid bond or performance bond, could have a material adverse effect on our business, reputation, financial condition and results of operation and could adversely affect our ability to pay interest on the Notes or to repay the Notes at maturity or otherwise refinance the Notes. In addition, the Issuer has approximately €37.7 million of bid bonds as of September 30, 2020 relating to its commercial pipeline, including bid bonds which are currently under litigation for their potential enforcement. Unlike bid bonds, performance bonds relate to existing contracts already in the portfolio and included in the Group's backlog, which we believe should not be affected by the ANAC Santobono-Pausilipon Decision; however, our position is potentially subject to different interpretations of the applicable laws and regulations by competent authorities or courts. See "*Risk factors—Risks related to our business—We may be unable to obtain the insurance bonds, securities or guarantees that are required for certain public tenders or contracts with our private customers, and due to our failure to comply with the applicable rules or to perform our obligations, counterparties may enforce the bonds we have posted and we currently are in litigation regarding enforcement actions in respect of certain performance and bid bonds*." The estimates provided above may not fully quantify or account for the potential impact on our business or reputation of any adverse consequences related to the Santobono-Pausilipon False Statement Registration Decision, including the possibility of adverse decisions by parties such as private clients or hospitals choosing not to do business with us or other factors that may adversely impact our competitive, financial or market position. See "*Risk factors—Risks related to our business—We may face significant consequences as a result of the ANAC Santobono-Pausilipon Decision*," "*Business—Legal Proceedings—False Statement Registration litigation between the Issuer and ANAC following a proceeding started by ANAC upon notice by the Santobono-Pausilipon Public Health Agency of Napoli*" and "*Forward-Looking Statements.*"

The Refinancing

The gross proceeds from the Offering will be €350.0 million. We intend to use the gross proceeds along with cash on balance sheet of the Issuer as follows: (i) €333.9 million will be used to redeem the aggregate principal amount of the outstanding CMF Existing Notes, (ii) to replenish cash on hand that was used to repay the Existing Revolving Credit Facility on December 31, 2020 for an amount of €50.0 million (the Existing Revolving Credit Facility is expected to be canceled on or about the Issue Date), (iii) €15.0 million will be used to pay the redemption premium in respect of the CMF Existing Notes, assuming a redemption and repayment date of December 15, 2020 and (iv) the remainder of the proceeds will be used to pay certain fees and expenses in connection with the Refinancing. We are considering making a sale of receivables under one of our uncommitted recourse (*pro solvendo*) factoring facilities in the amount of between €10 to €15 million which could occur on or about the Issue Date (any such sale of receivables is not reflected as part of the Refinancing).

Throughout this Offering Memorandum, we collectively refer to entering into the Revolving Credit Facility, the Offering and the application by the Issuer of the proceeds of the Offering together with cash on balance sheet to redeem the entire outstanding principal amount of the CMF Existing Notes, to replenish cash on hand that was used to repay the Existing Revolving Credit Facility on December 31, 2020 for an amount of €50.0 million, to cancel the Existing Revolving Credit Facility, to pay redemption premia and accrued and unpaid interest in respect of the CMF Existing Notes and to pay certain fees and expenses in connection with such transactions as the "**Refinancing**." See "*Use of proceeds*," "*Capitalization*," "*Description of certain financing arrangements*," "*Description of the Notes*" and "*Management's discussion and analysis of financial condition and results of operations—Liquidity and capital resources*."

The following table shows the sources and uses of funds related to the Refinancing, including the use of proceeds from the Offering. Actual amounts will vary from estimated amounts depending on several factors, including the timing of the Offering, estimated costs, fees and expenses and the timing of the redemption of the CMF Existing Notes.

Sources of funds		Uses of funds	
(€ in millions)			
Notes offered hereby[1]	€350.0	Redemption of the outstanding CMF Existing Notes[3]	€333.9
Cash on balance sheet[2]	€ 54.0	Repayment of the drawings under the Existing Revolving Credit Facility[4]	€ 50.0
		Costs related to redemption premium of the CMF Existing Notes[5]	€ 15.0
		Estimated fees and expenses[6]	€ 5.1
Total sources	**€404.0**	**Total uses**	**€404.0**

(1) Assumes an issuance at par.

(2) Represents a portion of the cash on balance sheet as of September 30, 2020. See "*Capitalization*."

(3) Represents the aggregate principal amount of the CMF Existing Notes outstanding as of September 30, 2020, to be redeemed on or about January 28, 2021 following the delivery of a notice of redemption in respect thereof.

(4) Represents the aggregate principal amount of drawings outstanding under the Existing Revolving Credit Facility. We repaid the entire amount outstanding under the Existing Revolving Credit Facility on December 31, 2020 with cash on hand. The Existing Revolving Credit Facility is expected to be canceled on or about the Issue Date. This figure excludes accrued interest and break costs in respect of the Existing Revolving Credit Facility. A new Revolving Credit Facility for up to €75.0 million of senior secured revolving credit was entered into on January 20, 2021. See "*Description of certain financing arrangements—Revolving Credit Facility*."

(5) This figure reflects the redemption premium of 104.500% in respect of the CMF Existing Notes, but excluding accrued and unpaid interest from December 15, 2020 to January 28, 2021 in the amount of €3.6 million (this figure also excludes €6.3 million in interest that accrued from September 15, 2020 to December 15, 2020 and that was paid on December 15, 2020, a regularly scheduled interest payment date).

(6) Represents certain estimated fees and expenses associated with the Refinancing. Actual fees and expenses may vary.

Risk factors

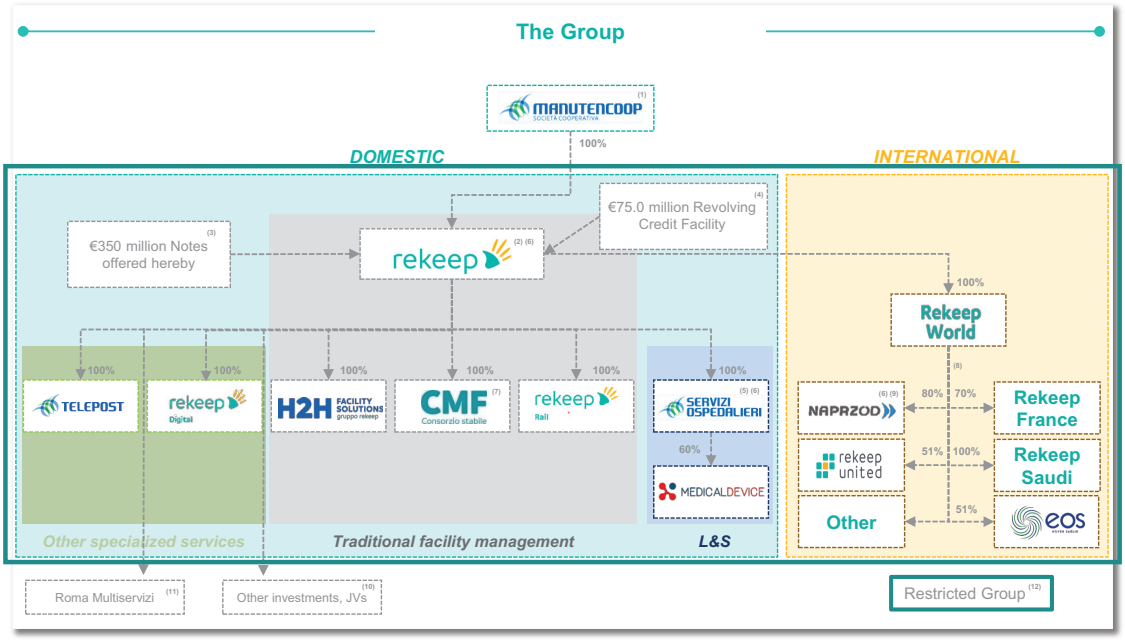
Investing in the Notes involves substantial risks. Please see the "*Risk factors*" section for a description of certain of the risks you should carefully consider before investing in the Notes.

Additional information

The Issuer's registered offices are located at Via Ubaldo Poli, 4, 40069 Zola Predosa (BO), Italy and its telephone number is +39 051 351 5111.

Corporate structure and certain financing arrangements

The following chart shows a simplified summary of the corporate and financing structure and nominal amounts of the principal indebtedness of the Group as of September 30, 2020 after giving *pro forma* effect to the Refinancing. The chart does not include all entities in the Group, nor all of the debt obligations thereof. All entities shown below are, unless otherwise indicated, directly or indirectly owned by their respective parent company. Outstanding debt amounts are based on the nominal value figures as of September 30, 2020. For a summary of the debt obligations identified in this diagram, please refer to the sections entitled "*Capitalization*," "*Description of certain financing arrangements*" and "*Description of the Notes*."



(1) MSC, a cooperative company, owns 100% of the share capital of the Issuer. For more information regarding MSC, see "*Our shareholder*."

(2) The Issuer is a joint stock company (*società per azioni*) incorporated under the laws of the Republic of Italy that carries out facility management services and serves as the main holding company for the rest of the Group.

(3) On the Issue Date, the Notes will be senior secured obligations of the Issuer, ranking equal in right of payment to all of the Issuer's existing and future senior indebtedness and senior to all of the Issuer's future indebtedness that is subordinated in right of payment to the Notes and will not be guaranteed by any of the Issuer's subsidiaries. On or about the Issue Date, the Notes will be secured by first-ranking security interests over all of the shares of the Issuer held by MSC and the Issuer's interest in the receivables in respect of certain material intercompany loans owing to it by certain of the Issuer's subsidiaries, in each case subject to the Agreed Security Principles (the "**Issue Date Collateral**").

(4) We repaid the entire amount outstanding under the Existing Revolving Credit Facility on December 31, 2020 with cash on hand. On January 20, 2021, the Issuer entered into the Revolving Credit Facility in order to provide for up to €75.0 million of senior secured revolving credit and, on or prior to the Issue Date, the Issuer intends to cancel the Existing Revolving Credit Facility. The Issuer will be the borrower and a guarantor under the Revolving Credit Facility. The Collateral will also secure the Revolving Credit Facility on a super senior basis pursuant to the Intercreditor Agreement. The Revolving Credit Facility will also be secured, subject to the Agreed Security Principles, on a first-ranking basis, by a special lien (*privilegio speciale*) over certain movable assets of the Issuer. Pursuant to the Intercreditor Agreement, in the event of enforcement of the Collateral, the holders of the Notes will receive proceeds from the Collateral only after lenders under the Revolving Credit Facility and counterparties to certain future hedging obligations and certain other indebtedness permitted under the Indenture, if any, have been repaid in full. See "*Description of certain financing arrangements—Intercreditor Agreement.*" For further information on the Revolving Credit Facility, see "*Description of certain financing arrangements—Revolving Credit Facility*" and "*Risk factors—Risks related to the Notes, the Notes Guarantee and the Collateral—Creditors under the Revolving Credit Facility and certain future hedging obligations, if any, and certain debt that we incur in the future may be entitled to be repaid with the proceeds of the Collateral securing the Notes in priority to the Notes*" and "*Risk factors—Risks related to the Notes, the Notes Guarantee and the Collateral—The grant of the Guarantor Collateral is subject to the Italian Golden Power Clearance and the outcome of such process is uncertain.*"

(5) As soon as reasonably practicable and no later than 10 business days following the Issue Date, we will submit an application with the Italian Golden Power Authority pursuant to the Italian Golden Power Legislation in order for the Guarantor Collateral (as defined herein) to be granted by the Issuer in respect of the shares of Servizi Ospedalieri S.p.A. (the "**Guarantor**"). No later than 30 days following receipt of the Italian Golden Power Clearance (as defined herein), the Notes

will be secured by first-ranking security interests over all of the shares of the Guarantor (the "**Guarantor Collateral**" and, (as and when granted) together with the Issue Date Collateral, the "**Collateral**"). Unless the Italian Golden Power Authority (as defined herein) specifically opposes to the grant of the Notes Guarantee in its response to our application to receive the Italian Golden Power Clearance with respect to the Guarantor Collateral, we will grant the Notes Guarantee on an unsecured basis, subject to the Agreed Security Principles, no later that 30 days following such answer from the Italian Golden Power Authority. The Notes Guarantee will be a senior obligation of the Guarantor and will rank equal in right of payment to all of the Guarantor's existing and future senior indebtedness and will rank senior to all of the Guarantor's future indebtedness that is subordinated in right of payment to the Notes Guarantee. See "*Risk factors—Risks related to the Notes, the Notes Guarantee and the Collateral—Creditors under the Revolving Credit Facility and certain future hedging obligations, if any, and certain debt that we incur in the future may be entitled to be repaid with the proceeds of the Collateral securing the Notes in priority to the Notes*" and "*Risk factors—Risks related to the Notes, the Notes Guarantee and the Collateral—The grant of the Guarantor Collateral is subject to the Italian Golden Power Clearance and the outcome of such process is uncertain*." The Notes Guarantee, as and when granted, and the security interests in the Collateral will be, as applicable, subject to contractual and legal limitations that will materially limit their enforceability, and the Notes Guarantee may be released under certain circumstances. See "*Risk factors—Risks related to the Notes, the Notes Guarantee and the Collateral*" and "*Limitations on validity and enforceability of the Notes Guarantee and security interests and certain insolvency law considerations*." Failure to grant the Notes Guarantee due to the Italian Golden Power Authority opposing to the grant of the Notes Guarantee and/or the Guarantor Collateral due to non-receipt of the Italian Golden Power Clearance will not be an event of default in the Indenture and the Notes would not be guaranteed and/or secured by the Guarantor Collateral, as applicable. The Guarantor is a joint stock company (*società per azioni*) under the laws of the Republic of Italy. See "*Listing and general information—Issuer and Guarantor legal information*" for more information. For the twelve months ended September 30, 2020, the Issuer and the Guarantor generated 57.2% and 11.4%, respectively, of the Group's total revenue and 61.9% and 25.4%, respectively, of the Group's EBITDA (gross of intercompany balances and consolidation eliminations). As of September 30, 2020, the Issuer and the Guarantor constituted 67.7% and 10.0%, respectively, of the Group's total assets (gross of intercompany balances and consolidation eliminations).

(6) The Issuer, Servizi Ospedalieri and the Naprzód Group have in place a number of factoring facilities with a variety of factoring counterparties. Certain of these facilities are committed, namely the Issuer's and Servizi Ospedalieri's non-recourse (*pro-soluto*) revolving factoring facility in place with Banca Farmafactoring pursuant to which they may sell up to €200 million of their trade receivables from entities in the National Health System and PSEs per year (€157.4 million of which was available as of September 30, 2020). The total amount of indebtedness attributable to the recourse factoring as of September 30, 2020 was €13.2 million, all of which is expected to remain outstanding following the Refinancing. Certain other recourse and non-recourse facilities are uncommitted bilateral facilities which are entered into on a spot or rolling basis, such as with Banca Sistema and UniCredit Factoring. Our factoring programs are expected to remain available to us and any indebtedness thereunder associated with the recourse (*pro-solvendo*) factoring will rank effectively senior to the Notes to the extent of the value of the associated receivables. We expect that recourse and non-recourse factoring will continue to be an option available to us to manage our liquidity if the need arises. We are considering making a sale of receivables under one of our uncommitted recourse (*pro solvendo*) factoring facilities in the amount of between €10 to €15 million which could occur on or about the Issue Date. See "*Description of certain financing arrangements*" and "*Management's discussion and analysis of financial condition and results of operations—Principal factors affecting our results of operations—Trade receivables.*"

(7) Consorzio Stabile CMF is a permanent consortium formed by the Issuer and certain other Group companies which together own 99% of its share capital and the remainder by a third-party partner. Consorzio Stabile CMF is engaged in facility management and laundering and sterilization activities.

(8) Rekeep United and EOS are majority-held and fully consolidated subsidiaries of the Issuer carrying out facility management and laundering and sterilization activities in Turkey. The other shareholders of Rekeep United are United Group and Gesidi Engineering Architecture and the other shareholder of EOS is Ertunç Özcan.

(9) Naprzód is a majority-held and fully consolidated subsidiary of the Issuer carrying out facility management activities in Poland. The other shareholder of Naprzód is its founder. See "*Management's discussion and analysis of financial condition and results of operations—Arrangements with non-controlling shareholders in our subsidiaries*" and "*Certain relationships and related party transactions*."

(10) Joint ventures and associates, most of which are BOT and PPP companies. We participate in BOT and PPP activities in which we, in conjunction with partners, co-sponsor companies to bid for public tenders and manage our activities under the relevant concession (*e.g.*, build and operate hospital facilities for healthcare customers). Certain of these companies, which are not subsidiaries of the Group, have outstanding debt which is non-recourse to the Group and constitutes project financing that is used to finance specific projects. These companies will not be subject to the restrictive covenants governing the Notes.

(11) Roma Multiservizi is our 45.47%-owned associate (the remaining interest is owned as 51.00% by the AMA S.p.A. (100% City of Rome) and as 3.53% by La Veneta Servizi S.p.A.) that provides facility management services to the City of Rome and other PSEs. Its results are consolidated into our financial statements under the equity method.

(12) The entities in the Restricted Group will be subject to the covenants in the Revolving Credit Facility and the Indenture.

The Offering

The summary below describes the principal terms of the Notes, the Notes Guarantee and the Collateral. Certain of the terms and conditions described below are subject to important limitations and exceptions. The "*Description of the Notes*" section of this Offering Memorandum contains a more detailed description of the terms and conditions of the Notes, including the definitions of certain terms used in this summary.

Issuer	Rekeep S.p.A., a private joint stock company (*società per azioni*) incorporated under the laws of the Republic of Italy (the "**Issuer**").
Notes Offered	€350.0 aggregate principal amount of 7.25% Senior Secured Notes due 2026 (the "**Notes**").
Maturity Date	February 1, 2026.
Interest	The Notes will bear interest at a rate of 7.25% per annum.
Issue Price	100%, plus accrued interest, if any, from the Issue Date.
Interest Payment Dates	Interest on the Notes will be payable semi-annually in arrears on February 1 and August 1 of each year, beginning on August 1, 2021.
Guarantee	On the Issue Date, the Notes will be senior secured obligations of the Issuer, ranking equal in right of payment to all of the Issuer's existing and future senior indebtedness and senior to all of the Issuer's future indebtedness that is subordinated in right of payment to the Notes and will not be guaranteed by any of the Issuer's subsidiaries. As soon as reasonably practicable and no later than 10 business days following the Issue Date, we will submit an application with the Italian Golden Power Authority pursuant to the Italian Golden Power Legislation in order for the Guarantor Collateral (as defined herein) to be granted. Unless the Italian Golden Power Authority (as defined herein) specifically opposes to the grant of the Notes Guarantee in its response to our application to receive the Italian Golden Power Clearance with respect to the Guarantor Collateral, the Notes will be guaranteed, on an unsecured basis, subject to the Agreed Security Principles (the "**Notes Guarantee**"), on a senior basis by Servizi Ospedalieri S.p.A., no later that 30 days following such answer from the Italian Golden Power Authority. The obligations of the Guarantor will be subject to legal and contractual limitations. See "*Risk factors—Risks related to the Notes, the Notes Guarantee and the Collateral—Corporate benefit, financial assistance laws, capital maintenance and other limitations on the Notes Guarantee and the Collateral may adversely affect the validity and enforceability of the Notes Guarantee and the Collateral*," "*Limitations on validity and enforceability of the Notes Guarantee and security*

interests and certain insolvency law considerations" and "*Description of the Notes—Brief Description of the Notes and the Notes Guarantee—The Notes Guarantee*." See also "*Risk factors—Risks related to the Notes, the Notes Guarantee and the Collateral—The grant of the Guarantor Collateral is subject to the Italian Golden Power Clearance and the outcome of such process is uncertain*."

As of September 30, 2020, after giving *pro forma* effect to the Refinancing:

- the Issuer and its consolidated subsidiaries would have had approximately €421.5 million of Gross Debt, of which €350.0 million is represented by the Notes; and

- the Issuer and its subsidiaries of the Issuer would have had approximately €19.7 million of secured financial indebtedness other than the Notes (largely consisting of financial leases and recourse factoring).

For twelve months ended September 30, 2020, the Issuer and the Guarantor represented 57.2% and 11.4%, respectively, of the Group's total revenue and 61.9% and 25.4%, respectively, of the Group's EBITDA (gross of intercompany balances and consolidation eliminations). As of September 30, 2020, the Issuer and the Guarantor constituted 67.7% and 10.0%, respectively, of the Group's total assets (gross of intercompany balances and consolidation eliminations). See "*Risk factors—Risks related to the Notes, the Notes Guarantee and the Collateral*."

Security . . . . . On or about the Issue Date, the Notes will be secured by first-ranking security interests over all of the shares of the Issuer held by MSC and the Issuer's interest in the receivables in respect of certain material intercompany loans owing to it by certain of the Issuer's subsidiaries, in each case subject to the Agreed Security Principles (the "**Issue Date Collateral**"). As soon as reasonably practicable and no later than 10 business days following the Issue Date, we will submit an application with the Italian Golden Power Authority pursuant to the Italian Golden Power Legislation in order for the Guarantor Collateral to be granted. No later than 30 days following receipt of the Italian Golden Power Clearance, the Notes will be secured by first-ranking security interests over all of the shares of the Guarantor (the "**Guarantor Collateral**", and (as and when granted) together with the Issue Date Collateral, the "**Collateral**"), in each case subject to the Agreed Security Principles.

The Collateral will also secure the Revolving Credit Facility on a super senior basis pursuant to the Intercreditor Agreement. The Revolving Credit Facility

will also be secured by a special lien (*privilegio speciale*) over the Issuer's movable assets.

The Intercreditor Agreement will provide that lenders under the Revolving Credit Facility and counterparties to certain future hedging obligations, if any, will receive the proceeds from the enforcement of the Collateral for the Notes in priority to the holders of the Notes. See "*Risk factors—Risks related to the Notes, the Notes Guarantee and the Collateral—Creditors under the Revolving Credit Facility and certain future hedging obligations, if any, and certain debt that we incur in the future may be entitled to be repaid with the proceeds of the Collateral securing the Notes in priority to the Notes*," "*Description of the Notes—Security*" and "*Description of certain financing arrangements—Intercreditor Agreement*" for further information. In addition, the Indenture will permit us to secure additional indebtedness with liens on the Collateral under certain circumstances.

The security interests may be limited by applicable law or subject to certain defenses that may limit their validity and enforceability. For more information on potential limitations to security interests, see "*Risk factors—Risks related to the Notes, the Notes Guarantee and the Collateral—Corporate benefit, financial assistance laws, capital maintenance and other limitations on the Notes Guarantee and the Collateral may adversely affect the validity and enforceability of the Notes Guarantee and the Collateral*" and "*Limitations on validity and enforceability of the Notes Guarantee and security interests and certain insolvency law considerations*." See also "*Risk factors—Risks related to the Notes, the Notes Guarantee and the Collateral—The grant of the Guarantor Collateral is subject to the Italian Golden Power Clearance and the outcome of such process is uncertain*."

Ranking . . . . . The Notes will be senior obligations of the Issuer and, will be secured as set forth under "*—Security*" and additionally will:

- rank *pari passu* in right of payment with all existing and future indebtedness of the Issuer that is not subordinated in right of payment to the Notes;
- rank senior in right of payment to any and all of the existing and future indebtedness of the Issuer that is subordinated in right of payment to the Notes;
- be effectively senior to the Issuer's existing and future unsecured indebtedness to the extent of the value of the applicable Collateral securing the Notes;
- be effectively junior to any existing and future indebtedness of the Issuer that will receive proceeds from any enforcement action over the applicable Collateral on a priority basis, including indebtedness

under the Revolving Credit Facility and certain future hedging obligations, if any, including any hedging obligations in respect of the Revolving Credit Facility and certain other future indebtedness; and

- be structurally subordinated to all existing and future indebtedness of the Issuer's Non-Guarantor subsidiaries.

To the extent applicable, the Notes Guarantee will be a senior obligation of the Guarantor and will:

- rank *pari passu* in right of payment with all existing and future indebtedness of the Guarantor that is not subordinated in right of payment to the Guarantor's Notes Guarantee;
- rank senior in right of payment to any and all of the existing and future indebtedness of the Guarantor that is subordinated in right of payment to the Guarantor's Notes Guarantee;
- be effectively subordinated to the Guarantor's existing and future secured indebtedness to the extent of the value of the property or assets securing such indebtedness, unless such property or assets also secure the Notes Guarantee on an equal and ratable or priority basis; and
- be structurally subordinated to all existing and future indebtedness of the Guarantor's subsidiaries that do not guarantee the Notes.

See "*Description of the Notes—Brief Description of the Notes and the Notes Guarantee*" and " *—Guarantee*."

Optional Redemption . . . . . At any time prior to February 1, 2023, the Issuer may redeem all or part of the Notes by paying a "make-whole" premium as described in the section entitled "*Description of the Notes—Optional Redemption.*"

At any time prior to February 1, 2023, the Issuer may use the proceeds of one or more equity offerings to redeem up to 40% of the aggregate principal amount of the Notes (including the aggregate principal amount of any additional Notes issued), upon not less than 10 nor more than 60 days' notice, at a redemption price equal to 107.25% of the aggregate principal amount of the Notes to be redeemed, plus accrued and unpaid interest and Additional Amounts, if any, to but excluding the date of redemption (subject to the right of the holders of the Notes on the relevant record date to receive interest due on the relevant interest payment date falling prior to or on the redemption date); *provided that* at least 50 % of the original aggregate principal amount of the Notes (including the original principal amount of any Additional Notes) remains outstanding immediately after each such redemption (unless all outstanding Notes are redeemed substantially concurrently therewith) and the

	redemption occurs within 180 days of the date of the closing of such relevant equity offering. At any time prior to February 1, 2023, the Issuer may redeem up to 10% of the aggregate principal amount of the Notes originally issued (including the aggregate principal amount of any additional Notes issued) in each twelve-month period commencing on the Issue Date at a redemption price equal to 103% of the principal amount of the Notes so redeemed, plus accrued and unpaid interest and additional amounts, if any. On or after February 1, 2023, the Issuer may redeem all or part of the Notes at the redemption prices listed in the section entitled "*Description of the Notes—Optional Redemption.*" See "*Description of the Notes—Optional Redemption*."
Tax Redemption	The Issuer may redeem the Notes, in whole but not in part, at a redemption price of 100% of the principal amount, plus accrued and unpaid interest and additional amounts, if any, to but excluding the redemption date, if the Issuer or the Guarantor would become obligated to pay certain additional amounts as a result of certain changes in specified tax laws or certain other circumstances. See "*Description of the Notes—Redemption for Taxation Reasons*."
Additional Amounts	All payments made by or on behalf of the Issuer or the Guarantor under or with respect to the Notes will be made without withholding or deduction for, or on account of, any present or future taxes in any relevant taxing jurisdiction unless required by law. If any such withholding or deduction for, or on account of, any present or future taxes is required by law to be made with respect to any payment under the Notes, subject to certain exceptions, the Issuer or the Guarantor will pay the additional amounts necessary so that the net amount received by the holders of the Notes after such withholding (including any withholding or deduction in respect of the additional amounts) is not less than the amount that such holders would have received in the absence of such withholding or deductions. See "*Description of the Notes—Additional Amounts*." The Issuer is organized under the laws of the Republic of Italy and therefore payments of principal and interest on the Notes and, in certain circumstances, any gain on the Notes, will be subject to Italian tax laws and regulations. Subject to and as set forth in "*Description of the Notes—Additional Amounts*," the Issuer will not be liable to pay any additional amounts to holders of the Notes if any withholding or deduction is required pursuant to Italian Legislative Decree No. 239 of April 1, 1996 (as the same may be amended or supplemented from time to time)

	("**Decree No. 239**") or pursuant to Italian Legislative Decree No. 461 of November 21, 1997 ("**Decree No. 461**"), except, in the case of Decree No. 239 or Decree No. 461, where the procedures required under Decree No. 239 in order to benefit from an exemption have not been complied with solely due to the actions or omissions of the Issuer or the Guarantor or their agents. See "*Description of the Notes—Additional Amounts*." Although we believe that, under current law, Italian withholding tax will not be imposed under Decree No. 239 or Decree No. 461 where a holder of the Notes is resident for tax purposes in a country included in the list issued under Article 11, paragraph 4, letter c) of Decree No. 239 (as currently identified in Ministerial Decree of September 4, 1996 as subsequently amended and supplemented) and such holder of the Notes complies with certain procedural and certification requirements, there is no assurance that this will be the case. Moreover, holders of the Notes will bear the risk of any change in Decree No. 239 or Decree No. 461 after the date hereof, including any change in the white list countries.
Change of Control	Upon the occurrence of certain events constituting a change of control, you will have the right to require the Issuer to repurchase the Notes at a price equal to 101% of the principal amount thereof plus accrued and unpaid interest and Additional Amounts, if any, to the date of repurchase. See "*Description of the Notes—Change of Control*."
Covenants	The Indenture will, among other things, restrict the ability of the Issuer and its restricted subsidiaries to: • pay dividends or make other distributions on, redeem or repurchase capital stock; • make certain restricted investments; • incur or guarantee additional indebtedness and issue certain preferred stock; • prepay or redeem subordinated debt; • create or incur certain liens; • create encumbrances or restrictions on the payment of dividends or other distributions, loans or advances to and on the transfer of assets to the Issuer or any of our restricted subsidiaries; • sell, lease or transfer certain assets including stock of restricted subsidiaries; • merge or consolidate with other entities; and • enter into certain transactions with affiliates.

	In addition, the Issuer will provide to the Trustee and to holders of the Notes annual and quarterly reports of the Issuer. These covenants are subject to important exceptions and qualifications. See "*Description of the Notes—Certain Covenants*."
Use of proceeds	The gross proceeds from the Offering will be €350.0 million. We intend to use the gross proceeds along with cash on balance sheet of the Issuer as follows: (i) €333.9 million will be used to redeem the aggregate principal amount of the CMF Existing Notes, (ii) to replenish cash on hand that was used to repay the Existing Revolving Credit Facility on December 31, 2020 for an amount of €50.0 million (the Existing Revolving Credit Facility is expected to be canceled on or about the Issue Date), (iii) €15.0 million will be used to pay the redemption premium in respect of the CMF Existing Notes, and (iv) the remainder of the proceeds will be used to pay certain fees and expenses in connection with the Refinancing. See "*Use of proceeds*," *Capitalization*" and "*Description of certain financing arrangements*."
Form and Denomination	The Issuer will issue the Notes on the Issue Date in global form in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof, maintained in book-entry form. Notes in denominations of less than €100,000 will not be available.
Transfer Restrictions; Absence of a Public Market for the Notes	The Notes have not been registered under the U.S. Securities Act and thus are subject to restrictions on transferability and resale. The Issuer cannot assure you that a market for the Notes will develop or that, if a market develops, the market will be a liquid market. The Initial Purchasers have advised the Issuer that they currently intend to make a market in the Notes. However, the Initial Purchasers are not obligated to do so and any market making with respect to the Notes may be discontinued without notice. See "*Plan of distribution*."
Listing	Application has been made to admit the Notes to listing on the Official List of the Luxembourg Stock Exchange and trading on the Euro MTF Market of the Luxembourg Stock Exchange. There is no assurance that the Notes will be, or will remain, listed on the Official List of Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market thereof.
Trustee and *Rappresentante Comune*	The Law Debenture Trust Corporation p.l.c.
Transfer Agent and Paying Agent	The Bank of New York Mellon, London Branch.
Registrar	The Bank of New York Mellon SA/NV, Luxembourg Branch.

Security Agent	UniCredit S.p.A.
Governing Law of the Notes, the Indenture and the Notes Guarantee	New York law.
Governing Law of the Intercreditor Agreement	English law.
Governing Law of the Security Documents	Italian law.

Summary historical consolidated financial information and other data

The following tables present the Issuer's summary consolidated financial information and other data as of and for each of the years ended December 31, 2017, 2018 and 2019 and as of September 30, 2020 and for the nine months ended September 30, 2019 and 2020. This summary financial information and other data is derived from: (i) the Audited Consolidated Financial Statements and (ii) the Unaudited Interim Condensed Consolidated Financial Statements. The unaudited interim condensed consolidated income statement for the nine months ended September 30, 2019 presented in this Offering Memorandum, was restated upon the application of IFRS 5 for the disposal of Gruppo Sicura and is derived from the comparative data reported in the unaudited interim condensed consolidated income statement for the nine months ended September 30, 2020.

The unaudited financial information for the twelve months ended September 30, 2020 is derived by subtracting from the audited consolidated income statements of the Issuer and its consolidated subsidiaries for the year ended December 31, 2019 the information from the unaudited interim condensed consolidated financial statements for the nine months ended September 30, 2019 and adding the information from the unaudited interim condensed consolidated financial statements for the nine months ended September 30, 2020.

See "*Presentation of financial information*" for a discussion of the changes in our scope of consolidation and changes in accounting standards and accounting policies adopted during the periods under review as well as definitions of certain non-IFRS financial measures used in this Offering Memorandum. The following tables should also be read in conjunction with the information contained in "*Use of proceeds*," "*Capitalization*," "*Management's discussion and analysis of financial condition and results of operations*" and the financial statements and related notes included elsewhere in this Offering Memorandum.

Summary consolidated statement of income

(thousands of €)	For the year ended December 31, 2017	2018	2019	For the nine months ended September 30, 2019[1]	2020[3]	For the twelve months ended September 30, 2020[2][4]
Total revenue	**918,091**	**949,882**	**1,007,082**	**691,565**	**772,864**	**1,047,382**
Costs of raw materials and consumables	(119,742)	(140,144)	(162,881)	(109,598)	(132,123)	(176,849)
Change in inventories of finished and semi-finished products	—	43	1,142	1,063	1,291	1,278
Costs for services and use of third-party assets	(328,258)	(325,258)	(318,581)	(218,760)	(235,885)	(321,845)
Personnel costs	(382,138)	(392,548)	(419,090)	(289,996)	(313,267)	(429,369)
Other operating costs or gains	(281)	(6,660)	(8,954)	(5,247)	(9,975)	(13,448)
Minor costs related to labor capitalized internally	935	4,140	2,827	2,188	1,059	1,698
Amortization/depreciation, write-downs and write-backs of assets	(30,280)	(31,122)	(37,789)	(27,122)	(29,912)	(39,437)
(Accrual)/reversal to provisions for risks and charges	(143)	(2,584)	(4,270)	(1,436)	(87,432)	(90,172)
Total operating costs	**(859,907)**	**(894,133)**	**(947,596)**	**(648,908)**	**(806,244)**	**(1,068,144)**
Operating income	**58,184**	**55,749**	**59,486**	**42,657**	**(33,380)**	**(20,762)**
Share of net profit of associates	(1,945)	1,466	(92)	338	(6,689)	(7,119)
Dividends and net income/(loss) from sale of investments	175	(843)	340	782	147	(295)
Financial income	3,762	1,597	3,796	2,573	1,939	3,145
Financial expenses	(43,125)[5]	(33,544)[5]	(45,040)	(33,558)	(37,115)	(48,452)
Gains/(losses) on exchange rate	(326)	(156)	(184)	5	194	4
Profit/(loss) before taxes from continuing operations	**16,725**	**24,269**	**18,306**	**12,797**	**(74,904)**	**(73,479)**
Income taxes	(16,010)	(8,426)	(14,956)	(8,281)	(9,994)	(15,009)
Profit/(loss) after taxes from continuing operations	**715**	**15,843**	**3,350**	**4,516**	**(84,898)**	**(88,488)**
Profit after taxes from discontinued operations	—	—	—	1,347	2,170	3,247
Profit/(loss) for the year/period	**715**	**15,843**	**3,350**	**5,863**	**(82,728)**	**(85,241)**
Attributable to:						
Equity holders of the parent	642	15,734	3,285	5,712	(84,142)	(86,569)
Non-controlling interests	73	109	65	151	1,414	1,328

(1) Restated, in accordance with IFRS 5, for the Gruppo Sicura disposal, as presented in the comparative data to the income statement in the Unaudited Interim Condensed Consolidated Financial Statements for the nine months ended September 30, 2020.

(2) Calculated using the income statement for the year ended December 31, 2019 restated to present the Gruppo Sicura disposal as discontinued operations, consistent with the presentation for the nine months ended September 30, 2019 and 2020.

(3) Excludes the results of Yougenio for the nine months ended September 30, 2020. See "*Presentation of financial information—Changes in our scope of consolidation—Dispositions*."

(4) Includes Yougenio's contribution to the Group's results from September 1 to December 31, 2019 and excludes Yougenio's contribution for the period following December 31, 2019. See "*Presentation of financial information—Changes in our scope of consolidation—Dispositions*."

Summary consolidated statement of financial position

(thousands of €)	As of December 31, 2017	2018	2019	As of September 30, 2020
Assets				
Property, plant and equipment	65,564	67,991	79,345	78,781
Property, plant and equipment under lease	5,779	5,984	47,146	44,794
Goodwill	370,363	407,622	387,778	390,048
Other intangible assets	25,169	25,634	26,823	21,510
Investment accounted for under the equity method	27,294	19,207	10,376	9,680
Other investments	4,757	4,905	4,957	6,958
Non-current financial assets	11,369	5,662	4,819	4,454
Other non-current assets	2,998	2,897	97,801	6,094
Deferred tax assets	16,383	15,017	16,026	15,810
Total non-current assets	**529,676**	**554,919**	**675,071**	**578,129**
Inventories	6,057	7,421	7,910	10,235
Trade receivables and advances to suppliers	429,165	417,930	412,572	435,290
Current taxes receivables	8,745	14,658	10,090	11,799
Other current assets	30,842	22,320	31,054	29,212
Current financial assets	1,870	5,532	4,819	7,130
Cash and cash equivalents	59,870	94,733	97,143	110,873
Total current assets	**536,549**	**562,594**	**563,588**	**604,539**
Assets classified as held for sale	—	—	70,500	—
Total assets	**1,066,225**	**1,117,513**	**1,309,159**	**1,182,668**
Liabilities				
Employee termination indemnity	15,519	14,730	12,443	11,251
Provisions for risks and charges, non-current	27,624	25,189	25,439	105,889
Total long-term financial liabilities	175,281[6]	361,687	396,759	367,811
Deferred tax liabilities	12,294	14,525	16,393	16,378
Other non-current liabilities	86	660	551	60
Total non-current liabilities	**230,804**	**416,791**	**451,585**	**501,389**
Provisions for risks and charges, current	6,711	6,948	6,392	9,344
Trade payables and advances from customers	393,022	399,602	405,950	382,023
Current tax payables	326	954	1,280	3,188
Other current liabilities	93,415	90,360	192,465	104,084
Bank borrowings including current portion of long-term debt, and other financial liabilities	43,165	37,366	71,830	112,590
Total current liabilities	**536,639**	**535,230**	**677,917**	**611,229**
Liabilities directly associated with assets classified as held for sale	—	—	26,851	—
Total liabilities	**767,443**	**952,021**	**1,156,353**	**1,112,618**
Total shareholders' equity	298,782	165,492	152,806	70,050
Total equity and liabilities	**1,066,225**	**1,117,513**	**1,309,159**	**1,182,668**

(5) As the Merger's statutory, accounting and tax effects were applicable as of July 1, 2018, the financial expenses line item to the Issuer's consolidated income statement for the years ended December 31, 2017 and 2018 do not reflect the full interest charges associated with the CMF Existing Notes. See "*Presentation of financial information—The Merger and interest expense for the year ended December 31, 2018.*"

(6) The CMF Existing Notes were issued into escrow on July 6, 2017, and the net proceeds used upon release from escrow on October 13, 2017 to satisfy and discharge the MFM Notes. As CMF was outside of the scope of consolidation of MFM as of December 31, 2017, long-term financial debt as of December 31, 2017 includes the amount of the proceeds of the CMF Existing Notes on-lent to MFM through a proceeds loan, but not the aggregate principal amount of the CMF Existing Notes. See "*Management's discussion and analysis of financial condition and results of operations—Factors affecting the comparability of our results of operations—The Merger and interest expense for the year ended December 31, 2018.*"

Summary consolidated statement of cash flow

	As of and for the year ended December 31,			For the nine months ended September 30,		For the twelve months ended September 30,
(thousands of €)	**2017**	**2018**	**2019**	**2019**	**2020**	**2020**
Cash flow from/(used in) operating activities	69,876	66,575	56,857	18,752	(9,143)	28,962
Cash flow from/(used in) investing activities	(31,504)	(21,339)	(35,578)	(17,693)	28,554	10,669
Cash flow used in financing activities	(153,494)	(9,942)	(18,816)	(20,100)	(5,297)	(4,066)
Change in cash and cash equivalents	(115,122)	35,295	2,463	(19,040)	14,115	35,565
Conversion differences in cash and cash equivalents		(432)	(53)	(7)	(384)	(377)
Cash and cash equivalents at the end of the year/period	59,870	94,733	97,143	75,686	110,873	110,873

Other financial information

(thousands of €, except percentages and ratios)	As of and for the year ended December 31,			As of and for the nine months ended September 30,		As of and for the twelve months ended September 30,
	2017	2018	2019	2019	2020	2020
Cash and cash equivalents	59,870	94,733	97,143	75,686	110,873	110,873
EBITDA[1]	88,607	89,455	101,545	71,215	83,964	108,847
EBITDA margin[2]	9.4%	9.4%	10.1%	10.3%	10.9%	10.4%
Normalized EBITDA[1]	100,340	101,309	113,576	79,434	86,158	114,279
Normalized EBITDA margin[2]	10.9%	10.7%	11.3%	11.5%	11.1%	10.9%
Pro forma Normalized EBITDA[1]						116,853
Pro forma Normalized EBITDA margin[2]						11.2%
Gross Debt[3]	220,610	399,659	443,936	439,396	455,377	455,377
Net Debt[3]	158,870	299,394	341,974	359,631	337,374	337,374
Net interest expense[4]	(39,188)	(32,790)	(40,904)	(30,203)	(35,029)	(45,602)
Net working capital[6]	(18,655)	(35,535)	(100,812)	(101,471)	(12,103)	(12,103)
Outstanding trade receivables sold under factoring facilities but not yet collected	19,341	60,341	75,143	—	73,020	73,020
Net working capital adjusted for trade receivables off balance sheet ("Adjusted net working capital")[7]	676	24,806	(25,669)	—	60,917	60,917
Capital expenditures[8]	31,549	32,027	34,037	25,250	21,888	30,674
Gross Leverage (Ratio of Gross Debt[3] to Normalized EBITDA)[1]	2.2x	3.9x	3.9x	5.5x	5.3x	4.0x
Net Leverage (Ratio of Net Debt[3] to Normalized EBITDA)[1]	1.6x	3.0x	3.0x	4.5x	3.9x	3.0x
Ratio of Normalized EBITDA[1] to Net interest expense[4]	2.6x	3.1x	2.8x	2.6x	2.5x	2.5x

Other *pro forma* financial information

(millions of €, except percentages and ratios)	As of and for the twelve months ended September 30, 2020
Pro forma cash and cash equivalents[9]	56.9
Current Financial Assets[10]	7.1
Gross Debt as Adjusted[3]	421.5
Net Debt as Adjusted[3]	357.5
Net Senior Secured Debt as Adjusted[3]	308.1
Pro forma net interest expense[5]	27.8
Ratio of Gross Debt as Adjusted[3] to *Pro forma* Normalized EBITDA[1]	3.6x
Ratio of Net Debt as Adjusted[3] to *Pro forma* Normalized EBITDA[1]	3.1x
Ratio of Net Senior Secured Debt as Adjusted[3] to *Pro forma* Normalized EBITDA[1]	2.6x
Ratio of *Pro forma* Normalized EBITDA[1] to *Pro forma* net interest expense[5]	4.2x

(1) "EBITDA" is defined as Profit/(loss) after taxes from continuing operations plus Income taxes, Gains/(losses) on exchange rate, Financial expenses, Financial income, Dividends and Net income/(loss) from sale of investments, Share of net profit of associates, Amortization/depreciation, write-downs and write-backs of assets and (Accrual)/reversal to provisions for risks and charges. "Normalized EBITDA" is defined as EBITDA as adjusted for certain non-recurring items, restructuring costs and certain start-up costs related to certain new business initiatives. "*Pro forma* Normalized EBITDA" is defined as Normalized EBITDA as adjusted for the one-month contribution of the Naprzód Group for October 2019 prior to the consolidation of the same following its acquisition (for accounting purposes) on November 1, 2019 and the amount of monitoring fees to MSC in relation to the management and coordination activities of MSC with respect to the Group. EBITDA, Normalized EBITDA and *Pro forma* Normalized EBITDA are not measurements of performance under IFRS and you should not consider EBITDA, Normalized EBITDA and *Pro forma* Normalized EBITDA as alternatives to operating income or consolidated profits as a measure of our operating performance, cash flows from operating, investing and financing activities, as a measure of our ability to meet our cash needs or any other measures of performance under generally accepted accounting principles. We believe that EBITDA, Normalized EBITDA and *Pro forma* Normalized EBITDA are useful indicators of our ability to incur and service our indebtedness and can assist securities analysts, investors and other parties to evaluate us. EBITDA, Normalized EBITDA and *Pro forma* Normalized EBITDA and similar measures are used by different companies for different purposes and are often calculated in ways that reflect the circumstances of those companies. EBITDA and Normalized EBITDA may not be indicative of our historical operating results, nor is it meant to be predictive of potential future results. See "*Presentation of financial information—Non-IFRS financial measures.*" The following table sets forth a reconciliation of EBITDA for the year from profit/(loss) from continuing operations and displays the adjustments to reconcile Normalized EBITDA and *Pro forma* Normalized EBITDA to EBITDA.

Reconciliation for the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020 from the profit / (loss) from continuing operations to EBITDA and Normalized EBITDA and *Pro forma* Normalized EBITDA

	For the year ended December 31,			For the nine months ended September 30,		For the twelve months ended September 30,
(thousands of €)	**2017**	**2018**	**2019**	**2019**	**2020**	**2020**
Profit/(loss) after taxes from continuing operations	**715**	**15,843**	**3,350**	**4,516**	**(84,898)**	**(88,488)**
Income taxes	16,010	8,426	14,956	8,281	9,994	15,009
Gains/(losses) on exchange rate	326	156	184	(5)	(194)	(4)
Financial expenses	43,125	33,544	45,040	33,558	37,115	48,452
Financial income	(3,762)	(1,597)	(3,796)	(2,573)	(1,939)	(3,145)
Dividends and net income/(loss) from sale of investments	(175)	(843)	(340)	(782)	(147)	295
Share of net profit of associates	1,945	1,466	92	338	6,689	7,119
Amortization/depreciation, write-downs and write-backs of assets	30,280	31,122	37,789	27,122	29,912	39,437
(Accrual)/reversal to provisions for risks and charges	143	2,584	4,270	1,436	87,432	90,172
EBITDA	**88,607**	**89,455**	**101,545**	**71,215**	**83,964**	**108,847**
Voluntary redundancy and mobility schemes[(a)]	3,079	—	847	342	167	440
Professional services and advisory fees for M&A projects[(b)]	—	1,191	3,199	665	120	2,654
Extraordinary bonuses[(c)]	3,809	—	—	—	1,096	1,096
Income relate to non-recurring recharged costs on onerous contracts of previous years[(d)]	(6,152)	—	—	—	—	—
Legal fees on pending administrative litigation[(e)]	428	241	615	488	257	384
Compensation for CONSIP[(f)]	—	(4,274)	574	550	—	24
Non-recurring recharged costs[(g)]	—	—	—	—	100	100
CMF Existing Notes issuance costs[(h)]	4,332	—	—	—	—	—
Merger between CMF and MFM[(i)]	—	429	—	—	—	—
Rebranding as Rekeep[(j)]	—	3,904	—	—	—	—
Professional services and advisory fees for extraordinary transactions and reorganizations[(k)]	340	2,896	1,692	1,160	454	644
Start-up costs—International and Yougenio[(l)]	5,897	7,467	5,104	5,014	—	90
Normalized EBITDA	**100,340**	**101,309**	**113,576**	**79,434**	**86,158**	**114,279**
Pro forma adjustment for Monitoring fees[(m)]						1,845
Pro forma adjustment for the Naprzód Group[(n)]	—	—	—	—	—	729
***Pro forma* Normalized EBITDA**	**—**	**—**	**—**	**—**	**—**	**116,853**

(a) Voluntary redundancy schemes refers to redundancies and incentives incurred in connection with the Group's reorganization to encourage certain employees to voluntarily resign in connection with downsizing whereas mobility schemes refers to incentives incurred to encourage Group employees to voluntarily relocate to another office or branch of the Group where there is demand for such employees.

(b) Professionals services and advisory fees for M&A projects refers to the commissions and fees paid by the Group to its financial, legal and other advisors in connection with the consummated and abortive acquisitions of certain subsidiaries such as Medical Device S.r.l. (2018), EOS (2018) and the Naprzód Group (2019).

(c) Extraordinary bonuses for the year ended December 31, 2017 relate to the refinancing transaction conducted through CMF in connection with the repurchase of shares of MFM and for the year ended December 31, 2019 relate to bonuses granted to frontline workers in the context of the COVID-19 pandemic.

(d) Income related to non-recurring recharged costs on onerous contracts refers to "*Oneri di Sistema*" of previous years for which payment obligations had been eliminated, on the basis of an amended regulations.

(e) Legal fees on pending administration litigation refers to payments related to the Group's defense of exclusion and other sanctions-related litigation with CONSIP, ANAC and certain competitors to assert the Group's rights to compete in public tenders. See "*Business—Legal proceedings*."

(f) Compensation for CONSIP refers to compensation for the damage suffered by the Issuer in relation to a tender launched by CONSIP in 2010 and subject to a dispute between 2010 and 2018. In the following year, this amount was partially repaid to the other members of the TJA involved in the same tender.

(g) Non-recurring recharged costs refer to costs for tax liabilities from previous years, related to companies acquired and subsequently merged into the Issuer or other companies of the Group.

(h) CMF Existing Notes issuance costs refers to advisory fees and commissions paid in connection with the issuance and escrow of the CMF Existing Notes.

(i) Merger between CMF and the Issuer refers to fees of advisors and notaries in connection with the Merger. See "*Management's discussion and analysis of financial condition and results of operations—Factors affecting comparability of operations—The Merger and interest expense for the year ended December 31, 2018*."

(j) Rebranding as Rekeep refers to marketing and business expenses related to the branding of the Group as "Rekeep" from "Manutencoop Facility Management."

(k) Professional services and advisory fees for extraordinary transactions and reorganizations refers to the commissions and fees paid by the Group to its financial, legal and other advisors in connection with certain extraordinary projects, including in connection with the disposal of Gruppo Sicura.

(l) Start-up costs—International and Yougenio represents the negative EBITDA contributed for the applicable period by our new ventures which were still in the start-up phase: (i) Yougenio for €3.3 million, €4.8 million and €3.8 million for the years ended December 31, 2017, 2018 and 2019 and (ii) Rekeep World (our subsidiary for international tenders) and its French subsidiary for €2.6 million, €2.7 million and €1.3 million for the year ended December 31, 2017 and 2018.

(m) *Pro forma* adjustment for Monitoring fees refers to certain payments to MSC in relation to the management and coordination activities of MSC with respect to the Group. The amount of the monitoring fees depends on payment thereunder according to the number of companies consolidated within the Group or MSC's waiver of any such payment. For the years ended December 31, 2017, 2018 and 2019, we paid nil, €1,462 thousand and €1,950 thousand, respectively, of monitoring fees to MSC. For the nine months ended September 30, 2020, such monitoring fees amounted to €1,383 thousand.

(n) *Pro forma* adjustment for the Naprzód Group refers to the EBITDA attributable to the one-month period of October 2019 prior to the consolidation of Naprzód Group's results of operations into the Group as of November 1, 2019. This amount was obtained from the accounting records of Naprzód and was the subject of our financial due diligence in connection with the acquisition.

These adjustments indicated above are based on a number of assumptions made in reliance on the information available to us and management's judgments based on such information. As certain of these assumptions involve, among other things, legal proceedings which are still ongoing, extraordinary transactions, including acquisitions and restructuring, the final results of which cannot be certain, such adjustments imply a degree of uncertainty regarding future events and contingencies and are subject to a variety of significant business, economic and competitive risks and uncertainties. We cannot assure you that the information on which we have based our assumptions will not change. Furthermore, there may be additional costs incurred in connection with certain of the matters and initiatives described in the adjustments above which have not been included and may be substantially higher than our current estimates. In addition, adjustments to EBITDA and the underlying calculations therefrom have not been, and cannot be, audited, reviewed or verified by any independent accounting firm. Normalized EBITDA and *Pro forma* Normalized EBITDA is included in this Offering Memorandum because we believe that they provide a useful indication of the Group's ability to generate cash; however, this information does not constitute a measure of financial performance under IFRS or any other auditing standard and you should not consider Normalized EBITDA or *Pro forma* Normalized EBITDA as an alternative to net income or any other performance measure derived in accordance with IFRS or any other auditing standard or as a measure of our results of operations or liquidity. This information may not give an accurate or complete picture of our results of operations, may not be comparable to the other financial information included in this Offering Memorandum and investors are cautioned against placing undue reliance thereon when making an investment decision.

(2) "EBITDA margin" is defined as EBITDA divided by total revenue, "Normalized EBITDA margin" is defined as Normalized EBITDA divided by total revenue and "*Pro forma* Normalized EBITDA margin" is defined as *Pro forma* Normalized EBITDA divided by total revenue.

(3) Gross Debt as Adjusted is defined as Gross Debt as adjusted for the Refinancing. Net Debt as Adjusted is defined as Gross Debt as Adjusted minus €56.9 million of *pro forma* cash and cash equivalents minus €7.1 million of current financial assets, each as shown under "*Capitalization*." Net Senior Secured Debt as Adjusted is comprised of indebtedness that is secured by liens which as of the Issue Date will consist of the Notes, €13.2 million of recourse (*pro solvendo*) factoring, €2.4 million of reverse factoring and €6.5 million of finance leases. The foregoing differs from the manner in which consolidated net leverage and senior secured indebtedness is defined and how consolidated net leverage ratio and consolidated senior secured net leverage ratio will be tested in the Indenture. Prospective investors should carefully review the relevant definitions set forth under "*Description of the Notes—Certain definitions*" as these will govern the terms of the Notes. We are considering making a sale of receivables under one of our uncommitted recourse (*pro solvendo*) factoring facilities in the amount of between €10 to €15 million which could occur on or about the Issue Date. The foregoing amount has not been presented in the calculation of the senior secured debt figures above because the sale of receivables is not certain, and remains subject to certain conditions precedent. See "*Description of Certain Financing Arrangements—Factoring facilities—Recourse factoring.*"

The following table sets forth our Net Debt as of December 31, 2017, 2018 and 2019 and as of September 30, 2019 and 2020.

	As of December 31,			As of September 30,	
(thousands of €)	**2017**	**2018**	**2019**	**2019**	**2020**
Proceeds loan from CMF (nominal value)	175,990[(a)]	—	—	—	—
CMF Existing Notes (nominal value)	—[(a)]	360,000	349,700	349,700	333,900
Existing Revolving Credit Facility	—	—	—	—	50,000
Lease obligations	3,622	3,577	48,773	50,731	46,329
Bank borrowings (nominal value)	5,000	12,454	14,843	13,378	1,426
Current bank overdraft, advance payments and hot money	6,000	5,247	2,446	799	8,132
Assignments of receivables with recourse	29,999	18,380	28,174	24,789	13,158
Reverse factoring	—	—	—	—	2,431
Gross Debt	**220,610**	**399,659**	**443,936**	**439,396**	**455,377**
Cash and cash equivalents	59,870	94,733	97,143	75,686	110,873
Current financial assets[(x)]	1,870	5,532	4,819	4,079	7,130
Net Debt	**158,870**	**299,394**	**341,974**	**359,631**	**337,374**

(a) The CMF Existing Notes were issued into escrow on July 6, 2017, and the net proceeds used upon release from escrow on October 13, 2017 to satisfy and discharge the MFM Notes. As CMF was outside of the scope of consolidation of MFM as of December 31, 2017, long-term financial debt as of December 31, 2017 includes the amount of the proceeds of the CMF Existing Notes on-lent to MFM through a proceeds loan, but not the aggregate principal amount of the CMF Existing Notes. See "*Management's discussion and analysis of financial condition and results of operations—Factors affecting the comparability of our results of operations—The Merger and interest expense for the year ended December 31, 2018*."

(4) Net interest expense is defined as the financial expenses for the period net of financial income.

(5) "*Pro forma* net interest expense" is defined as the interest expense on the Notes and other financial expenses in respect of other obligations of the Group for the twelve months ended September 30, 2020, as if the Refinancing had occurred on October 1, 2019, based upon the interest rate of the Notes. *Pro forma* net interest expense excludes charges allocated to debt issuance costs, including discounts on the sale of receivables pursuant to non-recourse factoring programs. *Pro forma* net interest expense is presented for illustrative purposes only and does not purport to represent what our interest expense would have actually been had the Refinancing occurred on the date assumed, nor does it purport to project our interest expense for any future period of our financial condition at any future date. The foregoing may differ from the manner in which consolidated interest expense is defined in accordance with the Indenture. See "*Description of the Notes—Certain definitions*." See also "*Presentation of financial information—Non-IFRS financial measures.*"

(6) "Net working capital" is defined as the sum of our trade receivables and advances to suppliers, inventories, trade payables and advances from customers and other elements of working capital (which includes current tax receivables, current tax payables, other current assets, other current liabilities, assets classified as held for sale, liabilities directly associated with assets classified as held for sale and current provisions for risks and charges). Net working capital is not a recognized measure of financial performance or liquidity under IFRS and therefore no undue reliance should be placed on such data contained in this Offering Memorandum. See "*Presentation of financial information—Non-IFRS financial measures*" and "*Management's discussion and analysis of financial condition and results of operations—Liquidity and capital resources—Net working capital*."

(7) "Adjusted net working capital" is defined as net working capital including the trade receivables sold under non-recourse factoring facilities and not yet collected (off-balance sheet trade receivables). Adjusted net working capital is not a recognized measure of financial performance or liquidity under IFRS and therefore no undue reliance should be placed on such data contained in this Offering Memorandum. See "*Presentation of financial information—Non-IFRS financial measures*."

(8) We define "capital expenditures" as the amount of cash or other liquid assets invested by the Group to acquire property, plant and equipment, for property, plant and equipment under lease and other intangible assets. The Group's capital expenditure for the years ended December 31, 2014, 2015 and 2016 and the three months ended March 31, 2017, relates primarily to our Laundering and Sterilization Segment's purchase of linen, laundering machinery and sterilization equipment and surgical instruments. See "*Management's discussion and analysis of financial condition and results of operations—Capital Expenditures*."

(9) "*Pro forma* cash and cash equivalents" is defined as the sum of cash and cash equivalents of the Issuer after adjustments to give effect to the Refinancing as of September 30, 2020. See "*Use of proceeds*" and "*Capitalization*." *Pro forma* cash and cash equivalents have not been adjusted to give effect to any current or future payment obligations of the Group relating to the enforcement proceedings in respect of performance and bid bonds by CONSIP or to the payment obligations (in installments) in respect of the FM4 legal proceeding. See "*Business—Legal Proceedings—CONSIP School Contracts Litigation.*" *Pro forma* cash and cash equivalents have not been adjusted for accrued interest and break costs in respect of the Existing Revolving Credit Facility and accrued and unpaid interest on the CMF Existing Notes from December 15, 2020 to January 28, 2021 in the amount of €3.6 million (this figure also excludes the €6.3 million in interest that accrued from September 15, 2020 to December 15, 2020 and that was paid on December 15, 2020, a regularly scheduled interest payment date). Additionally, *pro forma* cash and cash equivalents have not been adjusted for certain other payments since September 30, 2020, such as payment in respect of the deferred purchase price for the Naprzód Group. See "*Management's discussion and analysis of financial condition and results of operations—Contractual commitments and obligations*."

(x) "*Current financial assets*" as of September 30, 2020, refers primarily to cash owing to the Issuer from factoring counterparties following collection by them from customers who have made payment in dedicated accounts controlled by the factors. Such sums are generally paid to the Issuer by the factoring counterparty within 30 days of receipt of payment from the relevant customer. See "*Capitalization*."

(10) Current financial assets refers primarily to cash owing to the Issuer from factoring counterparties following collection by them from customers who have made payment in dedicated accounts controlled by the factors. Such sums are generally paid to the Issuer by the factoring counterparty within 30 days of receipt of payment from the relevant customer.

Summary other financial and operational data

	For the year ended December 31,			As of and for the nine months ended September 30,	
(millions of €, except percentage)	**2017**	**2018**	**2019**	**2019**	**2020**
Backlog[1]	2,608	2,599	2,834	2,550	2,821
Pipeline[2]	3,091	3,345	3,036	2,935	3,627
Of which pertaining to the Issuer[2]	*2,747*	*3,028*	*1,250*	*2,362*	*824*
Win rate[3]	20%	23%	16%	15%	21%

(1) "Backlog" refers to services and projects for which we have signed contracts and in respect of which we have received binding commitments from customers or other operations within our subsidiaries on a consolidated basis. Backlog projects are associated with service contracts in both our Facility Management Segment and our Laundering and Sterilization Segment. We have adopted the following criteria for including contracts in our backlog: (i) we include the present value of the estimated revenue on the reference date that we expect to receive during the life of the contract; (ii) in case of project companies, we include the percentage of revenue payable to the Group pursuant to the contract, but we do not include revenue from contracts entered into by non-consolidated entities (for example, we do not include expected revenue from contracts held by our 45.47%-owned affiliate Roma Multiservizi, as this expected revenue is not directly attributable to the Group) and (iii) we include only expected revenue for services or projects that are required by the applicable contract. See also "*Risk factors—Risks related to our business—Our backlog is subject to unexpected adjustments and service contract terminations and is, therefore, an uncertain indicator of future earnings*" and "*Business—Backlog.*"

(2) "Pipeline" refers to the overall value of public tenders for which the Group has submitted a proposal and is still waiting for the relevant outcome. In case the Group can be awarded only certain lots of a multi-lot tender for which it has submitted an offer for its entirety, pipeline includes only those lots that can be awarded to the Group. Pipeline pertaining to the Issuer further reduced to approximately €341 million as of November 30, 2020, as compared to a Group pipeline of approximately €3,447 million as of such date. Pipeline represents an opportunity to add to our backlog upon winning the relevant public tender and executing the relevant contract and is therefore inherently subject to numerous risks and uncertainties including failure to win the relevant public tender and/or modification of its scope and/or cancellation. See "*Risk factors—Risks related to our business—We may face significant consequences as a result of the ANAC Santobono-Pausilipon Decision*."

(3) "Win rate" refers to the ratio between the multi-year value (corresponding to the auction value) of tenders awarded to the Group in a specific period on the multi-year value of all awarded tenders in which the Group has participated (i.e. tenders that were awarded to the Group and the tenders that were awarded to third parties) in the same period. In case of multi-lot tenders, (i) we considered each lot as a separate tender and (ii) if the Group can be awarded only certain (but not all) lots but it has submitted an offer for all the lots, the multi-year value of all awarded tenders in which the Group has participated on which basis the win rate is calculated includes only those lots which were winnable by us.

Risk factors

An investment in the Notes is subject to a number of risks. Prospective investors should consider carefully the risks described below and the other information contained in this Offering Memorandum prior to making any investment decision with respect to the Notes. Each of the risks discussed below could have a material adverse effect on our business, financial condition, results of operations or prospects which, in turn, could have a material adverse effect on the principal amount and interest which investors will receive in respect of the Notes. In addition, each of the risks discussed below could adversely affect the trading or the trading price of the Notes or the rights of investors under the Notes and, as a result, investors could lose some or all of their investment.

Prospective investors should note that the risks described below may not be the only risks we face. We have described only those risks that we currently consider to be material and there may be additional risks and uncertainties not presently known to us, or that we currently consider immaterial, that might also have a material adverse effect on our business, financial condition or results of operations.

This Offering Memorandum also contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including the risks described below and elsewhere in this Offering Memorandum.

Risks related to our business

The COVID-19 pandemic has impacted our operations, and this or other future pandemics could impact our business, financial condition and results of operations.

A new strain of the coronavirus (COVID-19) reportedly emerged in China in December 2019 and has subsequently spread across the world, including Europe. On March 11, 2020, the World Health Organization designated the outbreak as a pandemic. To combat the COVID-19 pandemic, governments around the world imposed restrictive measures including travel restrictions, curfews, lockdowns, quarantines and shutdowns of businesses and workplaces. On March 9, 2020, the Italian government imposed a nationwide quarantine together with several other measures, which have had a material adverse impact on the overall Italian economy. Although this nationwide quarantine in Italy was lifted on May 4, 2020, significant restrictions and social distancing measures remain in place, which continue to adversely affect the overall Italian economy and, in turn, pose challenges for our operations and our customers' operations. In particular, as the number of infections in Italy significantly increased in the fall of 2020, new restrictive measures were taken by the Italian government, including a nationwide evening curfew and more stringent local measures for regions with higher infection rates were mandated, which has resulted in, among other things, large-scale protests and further economic impact. The economic effects of the COVID-19 pandemic have had a severe impact on the Italian, European and global economy generally and their effects will likely continue to be felt in the coming years.

The COVID-19 pandemic has had a significant impact on our operations, including an increased requirement to invest in protective and other safety equipment for our employees, transition to a remote work environment in the general operation of our headquarters and making certain other operational changes to the ways in which we work, seek out new business opportunities and manage our Group. While the shelter-in-place requirements imposed by the governments in the countries where we operate, including Italy, initially eased or began to ease, almost all such countries have at least in part re-introduced more onerous lockdown restrictions as a result of new cases continuing to be registered. There is no certainty that all such measures will be sufficient to mitigate the risks related to the continuing spread of the disease.

Although we perform services that are considered essential to the Italian economy and that are subject to less severe limitations, including those under our contracts with public authorities and healthcare customers, the COVID-19 pandemic may limit the ability of our customers to pay on

time for work performed under our existing contracts or they may reduce additional work that is optional under the relevant contract. We expect that the economic dislocations of the COVID-19 pandemic may cause certain customers to curtail their outsourcing to us, be less likely to renew contracts as they expire, terminate their existing contracts or postpone or ultimately cancel future planned orders and contracts, seek discounts or longer payment terms or any combination of the foregoing. Additionally, while we expect that the COVID-19 pandemic will lead to many customers developing a renewed focus on the cleaning and sanitization of their premises in order to protect their employees, the need to reinforce cleaning with new protocols and equipment may strain our logistics and operational resources. Finally, customers may delay making payments contractually owed to us, resulting in an increase in bad debts and cancellations, as well as in a reduction or delay in revenue collection, which could impact our liquidity, cash flow, profitability, and attrition rate negatively. Both domestic and international travel may be further restricted to certain areas which may limit our ability to acquire new customers and enter new markets, to exercise our internal control functions over all of our operations and to provide services in the areas in which our customers are currently located or otherwise conduct our operations as we would do under normal circumstances.

While we continue to monitor our operations in the context of all government recommendations and have adopted several operational measures in respect thereto, including limiting employee travels, cancellation of physical participation in meetings, events and conferences and we may take further actions as required by government authorities or that we determine are in the best interests of our employees, customers, partners and suppliers, there is no certainty that all such measures will be sufficient to mitigate the risks related to the continuing spread of the disease and that we will not be subject to third-party claims arising from actual or alleged failures to implement any such measures adequately, or at all, thus resulting in a potential increase in legal, advisory and other costs in relation thereto.

The outlook for the world economy following the outbreak of COVID-19 remains subject to unprecedented uncertainty and such uncertainty may be prolonged in many of the markets in which we operate. The IMF predicts negative global growth in 2020 and many national governments have instituted rescue policies intended to prevent a financial recession. Furthermore, while the potential impact and duration of the COVID-19 pandemic on the global economy and our business in particular may be difficult to predict, the pandemic has resulted in, and may continue to result in, significant disruption to the global financial markets, which may in turn reduce our ability to access to capital or our customers' ability to pay us for past or future services, which could negatively affect our liquidity. In addition, an economic recession or further financial market corrections resulting from the ongoing spread of the COVID-19 pandemic makes any prediction on the final effects of the pandemic highly uncertain and subject to change. In fact, the extent of the impact of the COVID-19 pandemic on our operation and financial performance, will depend on future developments, including the duration of the state of emergency in Italy, the resurgence of the pandemic, any additional periods of lockdown, as well as the timing and success of the measures to be taken in order to reactivate the Italian economy and the spending capacity of our customers, all of which are uncertain and cannot be predicted at the time of this Offering Memorandum. A renewed or future financial recession could lead to an adverse impact on demand for our products and on our results of operations. In addition, political repercussions of responses to the COVID-19 outbreak by European Union institutions as well as by other countries in the European Union could have complex and hard-to-predict consequences for the future, including a destabilization of the European Union or its institutions or a slow-down or reversal of European integration, already impacted by the exit of the United Kingdom from the European Union effective January 1, 2021. It is unclear whether measures taken by European Union institutions, the Italian government and other governments of the countries in which we operate to contain the COVID-19 pandemic are adequate and effective to achieve containment. We cannot guarantee that COVID-19 or any future outbreak of another virus or other contagious disease will not have a material adverse effect on our business and results of operations.

To the extent the COVID-19 pandemic adversely affects our business, results of operation, financial condition and prospects, as well as our ability to perform our obligations under the Notes, it may also have the effect of heightening many of the other risks described in this "*Risk Factors*" section. See also "*Management's discussion and analysis of financial condition and results of operations—Factors affecting comparability of future results—Impact of COVID-19*" and "*Industry—The healthcare end-market of the facility management market—Impact of COVID-19 on facility management for the healthcare market*."

We face risks related to the services we provide to government and other public entities. In the twelve months ended September 30, 2020, we generated 79.7% of our revenue from PSEs and healthcare customers. Projects involving governments or governmental agencies carry various risks inherent in the government contracting process, including the following:

- government entities typically fund contract payments through appropriated monies—while these contracts are often planned and executed over the course of various years, PSEs usually reserve the right to change the scope of, or terminate, these contracts for lack of approved funding and/or at their convenience;
- changes in government or political developments, including budget deficits, shortfalls or uncertainties, government spending reductions or other debt constraints could result in our contracts being reduced in price or scope or terminated altogether, which also could limit our recovery of incurred costs, reimbursable expenses and profits on work completed prior to the termination;
- terms and conditions of contracts with PSEs tend to be more onerous than other contracts and may include, among other things, extensive rights of audit, more punitive service-level penalties and other restrictive covenants;
- contractual non-compliance (including improper billing), failure to comply with procurement, public tender and government contracts regulations and regulation regarding the protection of classified information, and other improper or illegal activities, may result in various civil and criminal penalties and administrative sanctions, fines and suspensions or debarment from doing business with the government, in addition to other typical remedies for breach of contract, which may include termination of the relevant contracts, forfeiture of profits and suspension of payments. In addition, as a result of any of the abovementioned events, we may be subject to our TJA partners, consortium partners and subcontractors terminating the relevant relationships with us and/or claiming damages arising from such events;
- we may be required, pursuant to an extension regime, to continue to perform certain expired contracts with PSEs for which the relevant PSEs have not yet launched new tenders for contract renewal. The authorities may investigate these extensions in order to assess whether (i) the necessary extension formalities have been completed and/or (ii) the circumstance under which we performed under the extension regime is permitted by law. We may be required to forfeit amounts that prove not to be due and to stop performing under the relevant contracts; in addition, we may be subject to sanctions and fines. For example, ANAC recently informed us of an investigation with respect to certain contracts entered into by the Issuer in 2015. The status of the investigation is preliminary and its outcome cannot be predicted as of the date of This Offering Memorandum. However, if the renewal of the contract between the health agency of Avezzano-Sulmona-L'Aquila and Servizi Ospedalieri is declared null and void by ANAC as a result of the above investigation, Servizi Ospedalieri could be required to refund profits arising from the contract renewal amounting to approximately €4.5 million;
- government contracts are often subject to more extensive scrutiny and publicity than other contracts meaning any negative publicity related to such contracts, regardless of the accuracy of such publicity, may adversely affect our business and reputation;
- participation in government contracts could subject us to stricter regulatory requirements, which may increase our cost of compliance;

- political and economic factors, such as pending elections, the outcome of recent elections, changes in leadership among key executive or legislative decision-makers, revisions to governmental tax or other policies and reduced tax revenues, changes in case law and scholarly guidance with respect to the laws and regulations applicable to our business, can affect the number and terms of new government contracts signed or the speed at which new contracts are signed, decrease future levels of spending and authorizations for programs that we bid for, shift spending priorities to programs in areas for which we do not provide services and/or lead to changes in enforcement or how compliance with relevant rules or laws is assessed;
- government contracts may involve multiple parties in the delivery of services and require greater project management efforts on our part, and any failure in this regard may adversely impact our performance and reputation;
- litigation or disputes with government and public entities (as the law may be applied in light of relevant case law and commentaries) may lead to us being banned from contracting with other government and public entities or participating in public tenders, which would have both an economic and a reputational impact on us; and
- public sector-related customers sometimes follow payment management processes that are subject to review by other government authorities or other entities, which may cause delays or adjustments to their own payment schedule.

If one or more of the foregoing risks were to materialize, they could have, individually or in the aggregate, a material adverse effect on our business, results of operation and financial condition.

The majority of our revenue is derived from contracts with PSEs and healthcare customers, and we are exposed to risks connected with delayed payments from PSEs and healthcare customers.

The majority of our customers are Italian PSEs or healthcare customers (which for our classification purposes mainly belong to the public sector) which collectively accounted for 79.7% of our total revenue for the twelve months ended September 30, 2020. Our work with PSEs and healthcare customers exposes the Group to credit risks and delays in trade receivables. Obtaining timely payments from our customers, particularly from our PSE and healthcare customers, may be difficult. The COVID-19 pandemic, which is expected to lead to a deterioration of government finances, may determine an increase in payment delays. While we closely monitor timely payment of our trade receivables, a customer may become unable or unwilling to pay its balance on time due to, among other reasons, an economic weakness in its industry or the financial insolvency of its business or a general deterioration of the global economy, including as a result of the COVID-19 pandemic. Our DSOs as of December 31, 2017, 2018 and 2019 and as of September 30, 2020 were equal to: (i) 164 days, 169 days, 161 days and 163 days, respectively, including trade receivables sold pursuant to our factoring facilities and (ii) 157 days, 147 days, 135 days and 139 days, respectively, net of trade receivables sold pursuant to such factoring facilities. Total trade receivables (including trade receivables sold pursuant to our factoring facilities and advances to suppliers) at such dates were equal to €429.2 million, €417.9 million, €412.6 million and €435.3 million, respectively. Although we review the credit risk related to our customers regularly, we cannot guarantee that our credit risk reviews and other internal controls will be sufficient to prevent an increase in bad debts and impairment of receivables. Our allowance for doubtful accounts was €30.2 million as of September 30, 2020, representing 6.9% of our total trade receivables for the same period, but we may incur other expenses in connection with our outstanding trade receivables that could render our provisions insufficient. The amount of our allowance for doubtful accounts is based on our assessment of historical collection trends, business and economic conditions and other collection indicators. However, we can give no assurance that doubtful accounts associated with delinquent payments or non-payment by our customers will not increase, also due to the effects of the COVID-19 pandemic, which could have a material adverse effect on our business, financial condition and results of operations.

In connection with our contractual obligations to our healthcare customers, PSE, and other clients, we must make payments to our employees, sub-contractors and suppliers for labor, supplies and equipment; we must make such payments even if our PSEs and healthcare customers

have not yet paid us for services already rendered, which adversely affects our working capital. This together with increases in average payment delays may make it necessary for us to resort to additional financing on more onerous terms, which could have a material adverse effect on our business, financial condition and results of operations. More generally, delays in payments by our largest customers, requests for modifications to their contractual payment arrangements or defaults on their payment obligations to us could adversely impact our business, financial condition and results of operations. See "*—The COVID-19 pandemic has impacted our operations and this or other future pandemics could impact our business, financial condition and results of operations*," "*Business—Customers and contracts—PSEs and healthcare customers*" and "*Management's discussion and analysis of financial condition and results of operations—Principal factors affecting our results of operations—Trade receivables*."

An increase in DSOs and other factors may negatively affect our working capital and lead us to experience liquidity constraints.

In order to limit difficulties in promptly collecting payments contractually due to us, we have historically financed our working capital partially through bank loans, the issuance of debt securities, cash from operations and partially by selling trade receivables on both a recourse and non-recourse basis through factoring transactions. We use recourse and non-recourse factoring to manage our working capital. However, our factoring facilities normally provide that the factor may cancel its commitments in case of, among others, certain events of default. In addition, under our recourse factoring facility, the factor may cancel or reduce its commitments, or terminate the agreement, at any time by written notice to the Issuer. See "*Description of certain financing arrangements—Factoring facilities*."

More generally, a number of developments outside of our control may make it difficult for us to finance our working capital requirements. Our DSOs as of December 31, 2017, 2018 and 2019 and as of September 30, 2020 were equal to: (i) 164 days, 169 days, 161 days and 163 days, respectively, including trade receivables sold pursuant to our factoring facilities and (ii) 157 days, 147 days, 135 days and 139 days, respectively, net of trade receivables sold pursuant to such factoring facilities. Notwithstanding a generally stable trend in our DSOs, if a reduction or delay in our revenue collection occurs, including as a consequence of the COVID-19 pandemic, or if we incur significant unexpected costs in relation to new business and/or we hire additional employees, or if we are required to pay sanctions or fines in connection with legal proceedings or if our performance or bid bonds are enforced following a breach of our undertakings under our contractual arrangements or the applicable public tender rules (including in connection with or as a consequence of certain of our pending legal proceedings), we may experience liquidity constraints. There can be no assurance that our existing or future factoring facilities would be available and, even if available, would be sufficient, together with any amounts available under our Revolving Credit Facility, to satisfy our working capital requirements or that we will be able to generate sufficient cash from operations, or secure new factoring facilities or other sources of financing on financial terms acceptable to us or at all, which could have a material adverse effect on our business, financial condition and results of operations.

We may be adversely affected by unfavorable economic conditions and political uncertainty in Italy.

In the twelve months ended September 30, 2020, 88.7% of our total revenue was generated in Italy. As a result, macroeconomic conditions, market trends and customer demand in Italy impact our results of operations. Since 2017, economic growth in Italy has been slow and, following the outbreak of the COVID-19 pandemic, the Italian economy contracted sharply during the first half of 2020, recording a contraction in GDP of 5.4% in the first quarter of 2020, followed by a 12.8% decrease in the second quarter of 2020, in each case as compared to the previous quarter. Notwithstanding a rebound in the third quarter of the year with the GDP growing by 16.1% as compared to the previous quarter, the year-on-year contraction amounted to 4.7% (source: ISTAT).

COVID-19 has had, and is expected to continue to have, a significant impact on Italy's economy and its public finances, as lower tourist arrivals, weaker consumer spending and lower industrial

production take their toll. In April 2020, Fitch Ratings downgraded Italy's sovereign credit rating to BBB- from BBB while indicating a stable outlook, and lastly affirmed such rating and outlook in December 2020. Since the beginning of the COVID-19 pandemic, Moody's Investors Service has not changed Italy's sovereign credit rating which remains at Baa3 with a stable outlook. In October 2020, S&P Global Ratings confirmed Italy's sovereign credit rating at BBB/A-2 while revising the outlook from negative to stable. Further downgrades of the Italian sovereign debt could create additional economic uncertainty and could have an adverse effect on our credit ratings.

In addition, business confidence in Italy may be negatively affected by continued political uncertainty. In September 2019, a coalition government composed of the center-left Democratic Party and the anti-establishment Five Star Movement was sworn in. This coalition government was formed on the back of the 2018 general election, in which no party won an outright majority, resulting in a hung parliament and leading to protracted negotiations to form a new government. These negotiations were concluded with the formation of a coalition government, composed of the anti-establishment League and Five Star Movement parties, which then collapsed in August 2019. It is unclear how long the current government will remain in office and whether it will be able to adequately address impediments to the country's growth, including as a result of the COVID-19 pandemic, such as the ratio of sovereign debt to GDP, the write-down of non-performing loans and the reduction of unemployment in Italy. In addition, the government may take positions that further exacerbate economic uncertainty in Italy which, in turn, may contribute to recessionary conditions and uncertainty in the macroeconomic environment which could adversely impact the decision of our customers (the majority of which are Italian PSEs or healthcare customers) to contract for facility management services. In addition, our customers have reduced the volume of additional services they may order as supplements to and above their existing contracts, as they scale back supplementary services in a difficult economic environment, and in some cases have re-insourced services previously assigned to our Group. We may not be able to sustain our current revenue or profit levels if adverse economic events or circumstances occur or continue to occur in Italy.

The continued impact of the adverse global, European and Italian economic and market conditions, including, among others, the effects of the COVID-19 pandemic and the final terms of Brexit, could have a material adverse effect on our business, financial condition and results of operations. These developments, or the perception that any of them could occur, have had and may continue to have a material adverse effect on global economic conditions and the stability of global financial markets, and may significantly reduce global market liquidity and restrict the ability of key market participants to operate in certain financial markets. Any of these factors could depress economic activity, restrict our access to capital or increase the cost of financing, which could have a material adverse effect on our business, results of operation and financial condition with a consequent adverse effect on our ability to meet our financial obligations, including under the Notes, and reduce the price of the Notes itself. See "*—The COVID-19 pandemic has impacted our operations, and this or other future pandemics could impact our business, financial condition and results of operations.*"

We may face significant consequences as a result of the ANAC Santobono-Pausilipon Decision.

A false statement registration proceeding against the Issuer was initiated by ANAC in 2014 following a notice filed by the Santobono-Pausilipon Public Health Agency of Napoli to ANAC (the "**Santobono-Pausilipon False Statement Registration Proceeding**"). The false statement was committed by the Issuer while submitting the administrative documentation required in the context of a public tender process launched in 2013 by the Santobono-Pausilipon Public Health Agency of Napoli (the "**Santobono-Pausilipon Tender**"). In particular, in the submitted statement relating to the Santobono- Pausilipon Tender, the Issuer omitted an affidavit regarding whether an attorney (*procuratore*) for the Issuer had a criminal record. The Issuer has always vigorously defended its position in connection with this proceeding, stating, *inter alia*, that the Issuer never provided any false information and it had no interest in providing any false declaration in relation to such attorney (*procuratore*) since the latter never had any relevant criminal record.

On November 10, 2017, ANAC concluded the Santobono-Pausilipon False Statement Registration Proceeding by issuing a decision excluding the Issuer from participating in public tender procedures and from subcontracting in relation to public contracts for a period of six months (the "**ANAC Santobono-Pausilipon Decision**"). However, following a timely appeal brought by the Issuer before the TAR Lazio, the ANAC Santobono-Pausilipon Decision was overturned and annulled by the TAR Lazio in December 2017 (the "**ANAC Santobono-Pausilipon TAR Lazio Decision**").

ANAC brought an appeal before the Council of State (*Consiglio di Stato*) against the ANAC Santobono-Pausilipon TAR Lazio Decision. With a decision published on December 2018, the Council of State accepted the petition brought by ANAC against the ANAC Santobono-Pausilipon TAR Lazio Decision (the "**2018 Council of State Decision**").

The Issuer subsequently appealed the 2018 Council of State Decision seeking its reversal *(i)* in January 2019 before the Italian Supreme Court (*Corte di Cassazione*—the "**Supreme Court Appeal**"); and *(ii)* in February 2019 before the Council of State. In addition, the 2018 Council of State Decision has also been appealed before the competent bodies of the Council of State seeking the suspension of its enforcement as a precautionary measure pending a final decision on the merits of the various appeals; in January 2019 the appeal brought by the Issuer was granted and therefore the enforcement of the 2018 Council of State Decision and, consequently, of the ANAC Santobono-Pausilipon Decision, was suspended pending the Supreme Court Appeal. In October 2020, the Council of State rejected the appeal brought by the Issuer in February 2019.

The merit of the Supreme Court Appeal was heard on October 20, 2020 and the ruling of the Supreme Court was published on December 4, 2020, which rejected our appeal and lifted the suspension of the exclusion provided for by the ANAC Santobono-Pausilipon Decision (the "**Italian Supreme Court Ruling**"). ANAC entered the ANAC Santobono-Pausilipon Decision in the relevant electronic register on December 25, 2020 and thereafter all public contracting authorities can learn of the ANAC Santobono-Pausilipon Decision. The exclusionary effects of the ANAC Santobono-Pausilipon Decision will end on June 17, 2021.

On October 20, 2020, we formally addressed to ANAC an out-of-court request to amend the ANAC Santobono-Pausilipon Decision (the "**Request of Revision of the ANAC Santobono-Pausilipon Decision**"), arguing, *inter alia*, that such decision is groundless and based on erroneous legal reasoning and, in any case, it imposes a disproportionate sanction *vis-à-vis* the alleged infringement, for which the Current Code on Public Procurement imposes a mere duty to produce the missing document. On January 5, 2021, we received a notice from an ANAC officer stating that the Request of Revision of the ANAC Santobono-Pausilipon Decision was rejected. We are considering additional actions to protect our interests, including by challenging the entering of the ANAC Santobono-Pausilipon Decision in the relevant register as well as the notice dated January 5, 2021.

We believe, based on our interpretation of the law, that the exclusion provided by the ANAC Santobono-Pausilipon Decision will not affect other Group companies (including those operating in our Laundering and Sterilization Segment) and should not trigger any significant termination risk with respect to existing contracts already in the portfolio and included in the Group's backlog (as these contracts have been signed). However, our interpretation may prove to be incomplete or inaccurate and we cannot provide any assurance that tender authorities or courts, including as a result of claims from our competitors, will adopt the same interpretation of the applicable laws and regulations.

The ANAC Santobono-Pausilipon Decision could potentially result in our disqualification from (i) public tenders in relation to which the Issuer has submitted an offer and the relevant awarding decision is still pending (which constitute our pipeline) for an amount of approximately €341 million as of November 30, 2020 (or approximately 10% of the Group pipeline as of the same date), and (ii) public tenders already awarded to the Issuer for which the relevant contract has not yet been signed (which are not included in our pipeline or registered in our backlog) for an amount of approximately €253 million as of November 30, 2020. These potential negative

impacts on our pipeline and awarded contracts pending signature could arise where the relevant contracting authority in respect of each tender procedure, by adopting a specific decision, or a competent administrative court requested to rule on the matter (including as a consequence of motions filed by competitors) were to determine that the effectiveness of the exclusion of the ANAC Santobono-Pausilipon Decision should not be limited to such tender procedures with (i) pending deadlines for submission of offers or (ii) pending dates of the application for qualification, in each case at the time the ANAC Santobono-Pausilipon Decision became effective (despite a recent ANAC regulation which we believe supports our view, but ANAC has asserted does not apply to our situation). In addition, we can provide no assurance that tender authorities or other entities will not seek to disqualify other Group companies (or consortia to which the Issuer is a party, including Consorzio Stabile CMF) from future public tenders or prevent them from entering into contracts based on public tenders already adjudicated (and this may have related effects on the bid bonds posted in relation thereto) or challenge contracts forming part of our backlog (including with respect to performance bonds posted in relation thereto). The outcome of any such potential regulatory action or litigation is inherently unpredictable. Following the entering of the ANAC Santobono-Pausilipon Decision in the relevant electronic register, several public contracting authorities have initiated certain procedures, and our competitors have brought claims, that may result in the exclusion of the Issuer from certain public tenders not yet awarded and/or public tenders awarded for which the relevant contract has not yet been signed, which may also result in the enforcement of the related bid bonds. No such procedures have been initiated or claims brought against any other member of the Group. As of the date hereof, the overall financial impact of losing the public tenders in relation to which such procedures have been initiated, or claims brought, is consistent with the preliminary analysis performed as of the date of the Italian Supreme Court Ruling further described below.

The ANAC Santobono-Pausilipon Decision does not prohibit the Issuer or any other Group company from participating in any tender procedure launched by private entities. However, the ensuing reputational impacts coupled with the reduction in the scope of the Group's public tenders, might adversely affect its private sector contracts.

Based on our preliminary analysis performed as of the date of the Italian Supreme Court Ruling and on information available at such date, we estimate a potential impact of the ANAC Santobono-Pausilipon Decision on our revenues of between approximately €13 million and approximately €55 million per annum over an approximately five-year period, calculated on the basis on an average five-year duration of public tenders and based on the Issuer's pipeline of €341 million and €253 million of tenders already awarded to the Issuer for which the relevant contract has not yet been signed, and certain other assumptions, including (i) assumed percentages of 25% to 75% of pending tenders being awarded during the six month exclusionary period, of which only approximately 28% impacts renewals of the current portfolio (as compared to new business opportunities), (ii) the likelihood that the award of the public tenders in which the Issuer has participated will fall within the interdiction period and (iii) the Issuer's historic win rate. We expect that these potential effects on our revenues would occur starting in 2022, as a result of the typical delay between the awarding of a tender and the effective entering into, and performance of the relevant contracts (which historically ranges between 12 and 18 months with respect to our Group). Historically, the Group's pipeline (which includes the value of tenders for which we have submitted a proposal and the outcome is pending) corresponds to tenders submitted by various Group companies, with the Issuer accounting for less than 10% on a consolidated basis as of November 30, 2020.

The occurrence of the potential adverse consequences described above or their indirect effects, including the enforcement of any bid bond or performance bond, could have a material adverse effect on our business, reputation, financial condition and results of operation and could adversely affect our ability to pay interest on the Notes or to repay the Notes at maturity or otherwise refinance the Notes. In addition, the Issuer has approximately €37.7 million of bid bonds as of September 30, 2020 relating to its commercial pipeline, including bid bonds which are currently under litigation for their potential enforcement, with respect to tenders for which we have submitted a proposal and the outcome is pending (i.e. pipeline) and tenders already

awarded to the Issuer for which the relevant contract has not yet been signed. Unlike bid bonds, performance bonds relate to existing contracts already in the portfolio and included in the Group's backlog, which we believe should not be affected by the ANAC Santobono-Pausilipon Decision; however, our position is potentially subject to different interpretations of the applicable laws and regulations by competent authorities or courts. See "*—We may be unable to obtain the insurance bonds, securities or guarantees that are required for certain public tenders or contracts with our private customers, and due to our failure to comply with the applicable rules or to perform our obligations, counterparties may enforce the bonds we have posted and we currently are in litigation regarding enforcement actions in respect of certain performance and bid bonds*." The estimates provided above may not fully quantify or account for the potential impact on our business or reputation of any adverse consequences related to the Santobono-Pausilipon False Statement Registration Decision, including the possibility of adverse decisions by parties such as private clients or hospitals choosing not to do business with us or other factors that may adversely impact our competitive, financial or market position. See "*Business—Legal Proceedings—False Statement Registration litigation between the Issuer and ANAC following a proceeding started by ANAC upon notice by the Santobono-Pausilipon Public Health Agency of Napoli*" and "*Forward-Looking Statements.*"

We are involved in ongoing litigation in respect of an antitrust matter related to the CONSIP public tender concerning the cleaning of public schools, and our business and results of operations may face further significant adverse consequences deriving therefrom.

The Issuer is involved in ongoing litigation in respect of an antitrust matter related to the CONSIP public tender concerning the cleaning of public schools (the "**CONSIP School Contracts Litigation**").

The Issuer provided cleaning services to over 550 public schools in Italy pursuant to individual contracts with such schools (the "**CONSIP School Contracts**"), each governed by framework agreements awarded in November 2013 pursuant to a public tender process (the "**CONSIP School Framework Agreement**"). The Italian Competition Authority (the "**ICA**") issued a decision on December 22, 2015 (the "**CONSIP School ICA Decision**") finding that the Issuer and three other competitors violated antitrust rules in the public tender process, issuing fines against the Issuer and such other competitors. The original fine against the Issuer was €48.5 million.

As a result of the CONSIP School ICA Decision, CONSIP also terminated the CONSIP School Framework Agreement in November 2016 (the "**CONSIP School Framework Termination"**) and reserved its power to enforce the performance bonds provided in connection with the CONSIP School Contracts (the "**CONSIP School Performance Bonds**"). Despite the termination of the CONSIP School Framework Agreement, the CONSIP School Contracts remained in force until February 29, 2020 pursuant to Art. 1, paragraph 7609, of Law 145/2018 which required the re-insourcing of cleaning services by the Public Administration. The Issuer appealed such decision in 2017 before the Civil Court of Rome. The appeal is still pending. To date, CONSIP has not enforced the CONSIP School Performance Bonds, but CONSIP will likely proceed with the enforcement if the Issuer loses the appeal brought before the Civil Court of Rome. As of September 30, 2020, the Issuer has recorded provisions for future charges of €17.5 million taking into account, *inter alia*, the risk of the possible enforcement of the CONSIP School Performance Bonds.

In addition, a competitor of the Issuer and the subsidiary of such competitor filed an out-of-court claim for damages amounting to approximately €18 million alleging that the antitrust breach established by the CONSIP School ICA Decision indirectly resulted in a reduction in the competitor's expected turnover related to the CONSIP School Contracts. The Issuer and its legal advisors promptly refuted such claims through formal letters sent to the competitor. Furthermore, on July 7, 2020, two of our competitors—Romeo Gestioni S.p.A. and Blackstone FD Consorzio Stabile (jointly, "**Romeo**")—brought a claim against us jointly and severally with the CNS—Consorzio Nazionale Servizi Società Cooperativa (the "**CNS**") and Roma Multiservizi S.p.A. ("**RM**"), before the Civil Court of Rome, claiming damages allegedly suffered in connection with both the alleged antitrust breaches established in the CONSIP School ICA Decision and other alleged anti-competitive

behavior. Romeo's claim for compensation amounts to approximately €73 million for a loss of opportunities, profit and reputational damages and refers to the alleged non-award of certain lots of the CONSIP School Tender as a result of the alleged antitrust breaches established by the CONSIP School ICA Decision. The Issuer has responded to the claim and appeared before the Court of Rome November 26, 2020; the next hearing is scheduled on May 20, 2021.

In connection with the CONSIP School ICA Decision, in June 2017, CONSIP notified the Issuer of its decision to (i) exclude the Issuer from new tenders for "barracks cleaning" and "public hospital cleaning" (the "**Excluded Tenders**") relating to the CONSIP School Contracts Litigation; and (ii) proceed with the enforcement of the Issuer's bid bond provided in connection with the tender for "public hospital cleaning" (up to €10.4 million).

The Issuer promptly challenged CONSIP's decision in relation to the Excluded Tenders before the TAR Lazio, contesting the exclusion and the enforcement of the bid bond. The TAR Lazio, on March 2, 2018 rejected the Issuer's appeal (the "**TAR Lazio Decision on the Excluded Tenders**"). Moreover, on March 30, 2018 CONSIP informed us of its request, addressed to the competent insurance company, to enforce the Issuer's bid bond provided in connection with the tender for the "barracks cleaning." The insurance company did not execute such request following the Council of State decision dated April 5, 2018 described below.

Following a further appeal brought by the Issuer before the Council of State, the latter, on April 5, 2018 suspended the TAR Lazio Decision on the Excluded Tenders. Both the execution of the TAR Lazio Decision on the Excluded Tenders and its effects (including with respect to the enforcement of the performance bonds) were suspended by the Council of State with a decision dated June 19, 2018, pending the decision of the European Court of Justice on a case brought before it by the TAR Piemonte seeking to qualify the antitrust infringement as gross negligence (*errore grave commesso nell'esercizio dell'attività professionale*) pursuant to the Former Code on Public Procurement.

On June 2, 2019, the European Court of Justice ruled on the abovementioned case brought by the TAR Piemonte, stating that an antitrust breach duly ascertained can be considered by a contracting authority as a basis to exclude a bidder from a public tender procedure, provided that such authority justifies its decision to proceed with the exclusion. Accordingly, the hearing on the merits of the appeal brought by the Issuer before the Council of State (*Consiglio di Stato*) was rescheduled on January 16, 2020 and, following the hearing, the Issuer's appeal was partially rejected. The lawyers of the Issuer in charge of the case are currently drafting an appeal of such decision of the Council of State before the Italian Supreme Court (*Corte di Cassazione*) on jurisdictional grounds.

Following the decision of the Council of State on January 16, 2020, CONSIP asked the guarantors to enforce the guarantees (bid bonds) provided on behalf of the Issuer in relation to the Excluded Tenders ("public hospital cleaning" tender—equal to €10.4 million—and "barracks cleaning" tender—equal to €3.4 million). The Issuer, with independent appeals and further defense briefs, challenged the bid bonds enforcement request made by CONSIP before the TAR Lazio. The President of the TAR Lazio suspended the effect of CONSIP's request via a precautionary order until a precautionary hearing was held on March 4, 2020. Following such hearing, the TAR Lazio confirmed, on a precautionary basis, the suspension of the effects of CONSIP's request until a decision on the merits of the case was issued. The last hearing to discuss the merit of the case was held on July 1, 2020 and the TAR Lazio is expected to rule on this case in the coming months. The Issuer has recorded provisions for future charges of €17.5 million as of September 30, 2020, taking into account, *inter alia*, the risk of the possible enforcement of the bid bonds provided in connection with the Excluded Tenders.

Moreover, on July 28, 2020 the insurance company that granted to the Issuer the bid bond guarantee provided to CONSIP in connection with the "public hospital cleaning" Excluded Tender brought a lawsuit against us before the competent civil court requesting a payment equal to €10.4 million as a provision in case of enforcement by CONSIP of the relevant bid bond

guarantee, along with the interest accrued on such amount. The first hearing for the discussion of this case is scheduled on March 24, 2021.

Neither of the Excluded Tenders generate revenue for the Group nor are they included in the Issuer's backlog. Moreover, the Issuer has never operated in the barracks cleaning market segment and, with respect to services in the hospital services sector, the Issuer currently works with various counterparts and pursuant to various existing contractual relationships, including the CONSIP Mies conventions, conventions with regional authorities or pursuant to contracts awarded directly by clients. CONSIP's decision on the Excluded Tenders does not prohibit the Issuer from participating in and winning future tenders arranged by CONSIP or, more generally, tenders arranged by public authorities (by way of example, on September 20, 2017, the Issuer entered into two contracts with CONSIP for integrated multi-services technology supply, including the supply of electricity for buildings used by the public health authorities (the individual contracts have a duration of 5 to 7 years, at the discretion of the individual authorities, from the commencement of performance, subject to a maximum performance by the Issuer for the relevant period equal to €251 million).

As a result of both the CONSIP School ICA Decision and the CONSIP School Framework Termination, certain of our competitors have challenged the Issuer's eligibility to participate in individual public tenders, alleging that the Issuer should be excluded since the alleged antitrust infringement constitutes gross negligence or bad faith. Similarly, certain of our competitors have already challenged the eligibility of other companies to participate in certain public tenders due to their alleged involvement in the alleged antitrust infringement by the Issuer, claiming that these companies should also be excluded since the alleged infringement constituted serious professional unlawful conduct under applicable law. As of the date of this Offering Memorandum, the competent courts have in certain cases rejected the requests brought by our competitors to exclude the Issuer from public tenders in light of the CONSIP School ICA Decision, while in other cases they have yet to come to a decision or have accepted the requests of our competitors by stating that the CONSIP School ICA Decision can in principle form the basis of a decision to exclude the Issuer from the relevant tender. However, in those specific cases, the tendering authorities did not provide detailed reasoning as to why, even in light of the CONSIP School ICA Decision, they did not exclude the Issuer and, therefore, ordered the tendering authorities to carry out their assessment again. As of the date of this Offering Memorandum, this new assessment has never led to any such exclusion of the Issuer. In addition, as of the date of this Offering Memorandum, except for the abovementioned Council of State decision on the Excluded Tenders, the Issuer has been excluded from only one public tender procedure upon decision of the tendering authority, and has promptly challenged such exclusion before the competent court. The relevant court stated that the CONSIP School ICA Decision can in principle justify the decision of a tendering authority, on a case by case basis and in its discretion, to exclude the Issuer from a tender, but in that specific case, the tendering authority did not carry out a sufficiently in-depth analysis of the arguments presented by the Issuer in opposing the exclusion as well as of the self-cleaning measures implemented by the Issuer following the CONSIP School ICA Decision. Therefore, the court has ordered the tendering authority to carry out a new analysis, which is currently pending. Finally, we have been informed that another tendering authority is currently considering whether to exclude us in light of the CONSIP School ICA Decision, but has not yet taken a final decision in relation thereto; we are presenting arguments to the relevant tendering authority and we will consider challenging any potential exclusion. See "*Business—Legal Proceedings—Pending Legal Proceedings arising from the CONSIP School Contracts Litigation*."

The occurrence of one or more of the adverse consequences described above, as well as any potential new claim started by other competitors of the Issuer for damages supposedly suffered in connection with the alleged antitrust breaches pursuant to the CONSIP School ICA Decision, would likely have a material adverse effect on our business, reputation, financial condition and results of operation and could adversely affect our ability to pay interest on the Notes or to repay the Notes at maturity or otherwise refinance the Notes.

If major customers terminate their service contracts with us prior to the end of the relevant contractual term, or select another provider following expiration of such contracts or otherwise renew such contracts on less favorable terms, and/or if we are unable to establish new customer relationships, our business, financial condition and results of operations could be adversely affected.

We perform the majority of our work for customers under contracts with a fixed term and, in some cases, with termination clauses permitting the customer to terminate the contract at the customer's discretion upon an agreed notice period. While we strive to maintain long-standing ties with our customers, usually backed by long term contracts (having an average duration of three to five years), there can be no assurance that our customers will not exercise their rights to terminate their contracts prior to expiration or reduce the scope of our services under these contracts, also due to the effects of the COVID-19 pandemic on their business, or that we will be successful in seeking compensation under applicable laws for terminated contracts, if applicable, or we will be able to negotiate new contracts with customers to replace terminated contracts. In case of termination of contracts at the discretion of a PSE and healthcare customers, applicable law may limit the damages for which we are eligible. Contract terminations or dissatisfaction with our services may damage our reputation and make it more difficult for us to obtain similar contracts with other customers.

For the year ended December 31, 2019, our top ten customers (which may include affiliates of the same groups) accounted for 21% of our total revenue. The termination of a contract by a single key client of ours or the failure to fully renew existing arrangements with key clients could adversely affect our results of operations or harm our reputation.

The termination of contracts or failure to renew (including through a dedicated new tender procedure, if applicable) or the renewal on less favorable terms of contracts with key customers of the Group could result in the loss of some or all our business with key customers and we may not be able to quickly and efficiently redeploy personnel, facilities or equipment that are currently dedicated to servicing such customers' assets.

Moreover, certain contracts entered into by us with some of our customers may be terminated in the event of breach by us of any of the provisions of our organizational model adopted pursuant to LD 231 and/or our Ethic Code (*Codice Etico*), as well as in the event of loss of requirements set forth by applicable laws and regulations or by awarding rules and in case of criminal proceedings involving one or more members of our corporate bodies or key employees.

If such contracts are either terminated or not renewed in the future or renewed on less favorable terms, such termination, non-renewal or renewal on less favorable terms could materially and adversely affect our Group's business, financial condition and results of operations. See "*—The COVID-19 pandemic has impacted our operations and this or other future pandemics could impact our business, financial condition and results of operations*."

We operate in highly competitive industries, and if we do not compete effectively, we may lose market share or be unable to maintain or increase prices for our services.

We operate primarily in the facility management and laundering and sterilization markets. We believe these markets are highly competitive and dynamic due to a limited number of large organizations with a significant market presence. With respect to services with low barriers to entry, such as traditional cleaning services, we also face competition from smaller competitors operating at local levels, many of whom have a strong local market presence and local customer relationships.

We believe we are the largest facility management services provider in a highly fragmented Italian market. Extrapolating from the market figures provided by Interconnection Consulting, we were the leading player with a market share of 2.8% in 2019, by far the most consolidated player as the second largest facility management group had a market share of slightly more than half of ours at 1.3%. Moreover, in the healthcare sector of the Italian laundering and sterilization market, we are one of the only two players with national scale and we were the second largest

player in 2019 with a market share of 17.7%. However, an intensification in the level of competition in the facility management sector and in the other sectors in which our Group is active could, in the future, affect our performance and cause an erosion in our market share and therefore, our financial condition and results of operations. For further information, see "*Summary—Our Strengths—Leading integrated facility manager operating in a fragmented industry*," "*Business—Our services*" and "*Industry—Competition and market position*."

Finally, as an outsourced services provider, we face significant competition with the in-house capabilities of certain of our customers, especially large private sector customers. The decision to opt for an outsourced provider of facility management or other outsourced services that we provide (*e.g.*, personnel and assets) is often based on the circumstances and strategic plans of that particular customer/potential customer which we cannot necessarily influence with our value propositions. In addition, certain customers may decide to create a captive facility management operator. If large private sector customers were to "re-insource" the services that they have heretofore contracted to us, our business, financial condition and results of operations could suffer.

Our business could be adversely affected by the central role of centralized purchasing agencies in public procurement with regards to setting economic terms for our services or by ongoing initiatives to reform decentralization in Italy.

In the past few years, the Italian market of tenders for facilities management services has shifted from a fragmented approach, with local public administrations, municipalities and other local healthcare services providers launching local tenders to satisfy their individual facilities management requirements, to a more integrated approach, whereby centralized purchasing agencies consolidate the purchasing function of the individual public administrations through the execution of framework agreements. This trend has led to fewer but larger public tenders. In connection with these larger tenders, we may spend significant time and incur significant costs in order to prepare bids or proposals or participate in the relevant bidding process, at the end of which we may not be retained. Consequently, the risk of not winning public tenders, including as a result of a ban triggered by past ascertained and/or alleged infringements impairing the fiduciary relationship with the relevant purchasing agency, is generally more material in connection with large tenders launched by centralized purchasing agencies and the impact on our business related to the negative outcome of centralized tenders would generally be more significant compared to the negative outcome of smaller or local tenders.

Centralized purchasing agencies act on behalf of many PSEs/healthcare customers and manage these public tenders for certain services provided to PSEs and healthcare customers (including facility management). Upon signing a framework contract with any such centralized purchasing agencies, the provider agrees to accept orders from PSEs and healthcare customers in a certain geographic region of up to the maximum amount established by such agreement and at the prices and terms and conditions thereof. To set up tender rules and launch a tender for framework contracts, centralized purchasing agencies utilize reference prices established by the ANAC to set the criteria for pricing public tenders for certain goods and services between PSEs/healthcare customers and service providers such as our Group, which most PSEs are required to follow. In connection with the spending review discussed under "*—PSE and healthcare customers may curtail their reliance on our services due to political and administrative decisions or budgetary constraints, or they may otherwise revise their outsourcing and/or procurement policy in a manner adverse to our interests*," CONSIP prices for particular service offerings (including frequency of maintenance or intervention) serve as market benchmarks, in that PSEs and healthcare customers may consider to terminate non-CONSIP contracts that are more expensive than the CONSIP ones. CONSIP and ANAC therefore exert significant influence in setting the economic terms, and centralized contracting activity may further increase price pressure and adversely impact our ability to grow or maintain our margins, and the increasing centralization of funds and increase in size and corresponding reduction in number of tenders means that the loss of individual tenders and the limited number, if any, of alternatives may limit our ability to secure additional sources of business and revenue, which could have a material adverse effect on

our business, financial condition and results of operations. See "*We may face significant consequences as a result of the ANAC Santobono-Pausilipon Decision*," "*—We are involved in ongoing litigation in respect of an antitrust matter related to the CONSIP public tender concerning the cleaning of public schools, and our business and results of operations may face further significant adverse consequences deriving therefrom,*" "*—We are susceptible to claims of anti-competitive practices and we are currently involved in ongoing litigation in respect of an antitrust matter related to the CONSIP public tender for contracts to clean offices used by Italian public entities (FM4 Tender), and our business and results of operations may face further significant adverse consequences deriving therefrom*" and "*Business—Regulation—Public Tenders—Centralized Purchasing Agencies–Spending Review and Public Procurement Policies*."

PSE and healthcare customers may curtail their reliance on our services due to political and administrative decisions or budgetary constraints, or they may otherwise revise their outsourcing and/or procurement policy in a manner adverse to our interests.

PSEs and healthcare customers are important customer segments for us. In particular, PSEs and healthcare customers represented 79.7% of our total revenue in the twelve months ended September 30, 2020. Our business arrangements with PSEs and healthcare customers may be affected by a number of political and administrative decisions concerning reductions in levels of public spending that may occur in connection with the current focus in Italy and other European countries on reducing national and local government budget deficits.

In addition, public tender laws may be revised or PSEs and healthcare customers may change their outsourcing and/or procurement policies in a manner that is adverse to our interests, for example by adopting new public tender or contracting laws or regulations, such as cost accounting standards, or by substantially increasing the performance bond or other security required to be deposited during the course of the contract. Tenders we win subject to new policies, rules or regulations could be less profitable. If we must post larger performance bonds or securities with PSEs and healthcare customers in order to compete in public tenders, our working capital may be adversely affected, causing us to increase our indebtedness and divert our financial resources away from other pursuits, including debt service. Lawmakers could also adopt new contracting methods intended to achieve certain social or other policy objectives, for example through restricting participation in public tenders to small and medium-sized businesses or requiring us to form temporary joint associations with cooperative organizations or other third parties which may reduce the tenders in which we are eligible to participate or choose to participate.

PSEs and healthcare customers may also face restrictions from new legislation or regulations, as well as pressure from employees and their unions, on the nature and amount of services that the relevant PSE and healthcare customers may obtain from private contractors such as our Group. These changes could impair our ability to obtain new contracts or contracts under which we currently perform when those contracts are up for renewal bids. Any new contracting methods could be costly or administratively difficult for us to implement, and as a result, could harm our operating results. A realignment of funds with changed priorities of certain PSEs or healthcare customers, including "re-insourcing" of previously contracted support services, and the realignment of funds to other discretionary programs may reduce the amount of funds available for facility management-related contracts. The occurrence of any such changes could have a material adverse effect on our business, financial condition and results of operations.

Most PSE and healthcare customer contracts may be terminated by the contracting entity either at its discretion or upon the default of the contractor.

In the case of the termination of a contract by a PSE or healthcare customer at its discretion, we would be able to recover costs incurred or committed, settlement expenses, and profit on work completed prior to termination. In most cases, we would also be able to recover lost profit pursuant to Article 1671 of the Italian Civil Code, except when such principle is derogated under the applicable contracts provisions, as for example, in our contracts entered into with CONSIP, which could prevent us from recognizing all of our potential revenue and profits from such contracts. See also "*—Our business could be adversely affected by the central role of centralized*

purchasing agencies in public procurement with regards to setting economic terms for our services or by ongoing initiatives to reform decentralization in Italy" and "*—PSE and healthcare customers may curtail their reliance on our services due to political and administrative decisions or budgetary constraints, or they may otherwise revise their outsourcing and/or procurement policy in a manner adverse to our interests*." In the case of the termination of a contract by a PSE or healthcare customer as a result of a breach by us, we could be liable for excess costs incurred by the PSE or healthcare customer in obtaining services from another source and the PSE or healthcare customer could decide to enforce the guarantees and/or insurance bonds we are normally required to post in order to participate in competitive tenders, enter into contracts with customers or receive advances or payments from them during the outsourced service arrangement. In addition, termination of a contract by a PSE or healthcare customer as a result of a breach by us may form the basis of the decision of the same or a different a tendering authority—on a case by case basis and in its discretion—to exclude the Issuer from such tender. See "*—We may face significant consequences as a result of the ANAC Santobono-Pausilipon Decision*," "*—We are involved in ongoing litigation in respect of an antitrust matter related to the CONSIP public tender concerning the cleaning of public schools, and our business and results of operations may face further significant adverse consequences deriving therefrom*" and "*—We are susceptible to claims of anti-competitive practices and we are currently involved in ongoing litigation in respect of an antitrust matter related to the CONSIP public tender for contracts to clean offices used by Italian public entities (FM4 Tender), and our business and results of operations may face further significant adverse consequences deriving therefrom*." The occurrence of any such event might lead to a significant cash outflow, which could have a material adverse effect on our business, financial condition and results of operations.

We subcontract a portion of our customer services to third parties, and we are subject to various risks and liabilities if such subcontractors do not provide the subcontracted services or provide them in a manner that does not meet required service levels.

We currently, and may in the future, subcontract certain business services to one or more third parties or partner with third parties in TJAs to jointly deliver services. Under the terms of our contracts with our customers we are required to provide such subcontracted services and may be liable for the actions and omissions of such subcontractors. In the event our subcontractor fails to provide the subcontracted services in compliance with required services levels, or otherwise breaches its obligations (including those set forth under applicable laws and regulations), or discontinues its business, whether as the result of bankruptcy, insolvency or otherwise, we are jointly and severally liable pursuant to Italian law with our subcontractors, and we may be required to provide such services at a higher cost to us, due to, among others, any costs of replacement of the original subcontractor and may otherwise be liable for various costs, expenses and damages related to such event. For example, one of our clients has recently maintained that certain maintenance activities carried out by one of our subcontractors allegedly caused certain oil leakages on the ground. In addition, should any of our subcontractors make a false statement in the context of a tender, pursuant public procurement general principles which are no longer into force, we face the risk of being excluded from such tender in case that tender procedure is regulated under such former principles. Any of these events may damage our reputation and otherwise result in a material adverse effect upon our business and financial condition. Any failure of TJA partners/subcontractors to meet their contractual obligations could harm our ability to deliver solutions under our integrated facility management contracts or our reputation, result in customer losses and financial liabilities, and trigger our joint and several liability in case of enforcement of the relevant performance bonds that we provided to our customers, any of which could have a material adverse effect on our business, results of operations and financial condition. See also "*—We may be deemed liable for damages caused by our TJA partners, consortium partners and subcontractors and have responsibilities towards their employees.*"

Our success depends in part on our ability to provide responsive customer service and quality of service delivery.

We are an outsourced service provider and our success, whether it may be maintaining long-term customer relationships, winning contracts with existing customers or beginning new customer

relationships, depends in part on our ability to provide responsive customer service and quality of service delivery. In addition, the business associated with long-term relationships is generally more profitable than that associated with short-term relationships because we generally incur start-up costs under new contracts. Once these costs are expensed or fully depreciated over the appropriate periods, the underlying contracts become more profitable. Our loss of long-term customers could have an adverse impact on our profitability even if we generate equivalent revenue from new customers. We cannot assure you that we will be successful in our customer care and quality of service delivery, and if either deteriorates, our business, financial condition and results of operations may be adversely affected.

Certain of our competitors have significantly greater financial resources and broader geographic coverage than we do.

We compete with a variety of national and international facility management and laundering and sterilization players. Certain of our competitors have significantly greater financial resources and broader geographic coverage than we do, because they are part of publicly traded or other international groups, such as Engie Italia S.p.A. and Siram S.p.A. (controlled by Veolia Environnement) with substantial cash flows from other business lines and deep access to the debt and equity capital markets as well as with a wider range of operations in many countries, including in Poland and Turkey where we compete with subsidiaries or branches of the same or other multinational groups and local incumbents. As we currently count among our customers many Italian subsidiaries or branches of multinational groups, there is a risk that such customers elect to outsource all their facility management needs to one provider with pan-European and/or international capabilities, and in such circumstance, our competitive position could be affected which could adversely impact our business, financial condition and results of operations. In addition, certain of our large competitors have sophisticated management, are in a position to purchase supplies at the lowest prices and have the ability to advertise in a wide variety of media. These advantages may allow our competitors to offer products and services (such as pan-European integrated facility management contracts to multinational groups) that we do not and cannot offer or offer lower prices to such customers. There can be no assurances these players will not leverage their financial resources and international platforms to capture more market share in Italy or the countries in which we operate which could have a material adverse effect on our business, financial condition and results of operations. See "*Business—Competition and Market Position*."

We may be unable to obtain the insurance bonds, securities or guarantees that are required for certain public tenders or contracts with our private customers, and due to our failure to comply with the applicable rules or to perform our obligations, counterparties may enforce the bonds we have posted and we currently are in litigation regarding enforcement actions in respect of certain performance and bid bonds.

In the ordinary course of our business, we are required to provide customers with bank guarantees and/or insurance bonds (including bid, advance payment, performance or guarantee bonds), in particular, to be able to participate in competitive tenders, enter into contracts with customers or receive advances or payments from them during the outsourced service arrangement. Our ability to obtain such performance bonds, bid bonds and guarantees from banks and/or insurance companies depends on such institutions' assessment of our Group's overall financial condition, and in particular of the financial condition of the individual Group company concerned, of the risks of the service to be provided, and of the experience and competitive positioning of any of the companies in our Group in the sector in which it operates, as well as such company's financial and reputational track record, also in terms of previous enforcement of performance bonds and guarantees. If we are unable to obtain new bonds and guarantees, if we renegotiate existing bonds and guarantees on less favorable economic terms or if we are required to pay penalties in the event that we default on our obligations, our ability to obtain new orders or enter into new contracts could be impaired or become significantly more costly, which could have a material adverse effect on our business, financial condition and results of operations.

Our PSE and healthcare customer contracts and certain of our private sector contracts often require performance bonds, primarily to guarantee our performance thereunder. Performance bonds may be enforced in case of termination of the relevant contracts by our counterparties, including as a result of us failing to perform our obligations and/or to meet or maintain the requirements set forth by the applicable laws and regulations. As of September 30, 2020, the Group (including associates and investments in project companies) had performance bonds or other guarantees outstanding in the aggregate amount of €317.3 million. Bid bonds may be enforced as a result of us being excluded from participating in a tender procedure, including as a result of false statement declarations and/or us failing to enter into contracts awarded to us for any reasons attributable to us. These are off-balance sheet items. Performance bonds, bid bonds and penalties present an ongoing potential for substantial cash outflows.

In addition, some of these bonds and guarantees include cross-default provisions which could be triggered if we are in default under other bonds and guarantees, which could significantly intensify the negative effect of a default under these instruments. If our customers were to enforce the bonds we were required to post at the time of the relevant contract or tender, we could be subject to material payment obligations which could individually or in the aggregate have a material adverse effect on our business, results of operations and financial condition. As of the date of this Offering Memorandum, we are engaged in proceedings regarding the enforcement of our bid bonds pursuant to the Excluded Tenders, and the museums cleaning proceeding for an amount equal to €16.6 million and bid bonds provided in connection with the CONSIP FM4 Tender Exclusion for an amount to €3.9 million. Moreover, CONSIP will likely proceed with the enforcement of the CONSIP School Performance Bonds if our appeal brought against the CONSIP School Framework Termination is rejected by the Civil Court of Rome. In addition, we may face risks regarding the enforcement of our bid and performance bonds as a result of the Santobono-Pausilipon False Statement Registration Decision. See "*Summary—Recent developments—Exclusion of Rekeep S.p.A. from public tender procedures through June 17, 2021*," "*—We may face significant consequences as a result of the ANAC Santobono-Pausilipon Decision*," "*—We are involved in ongoing litigation in respect of an antitrust matter related to the CONSIP public tender concerning the cleaning of public schools, and our business and results of operations may face further significant adverse consequences deriving therefrom*," "*—We are susceptible to claims of anti-competitive practices and we are currently involved in ongoing litigation in respect of an antitrust matter related to the CONSIP public tender for contracts to clean offices used by Italian public entities (FM4 Tender), and our business and results of operations may face further significant adverse consequences deriving therefrom*," "*—We may face significant consequences as a result of the ANAC Santobono-Pausilipon Decision*," "*Business—Legal proceedings—FM4 Tender Litigation and other proceedings arising therefrom*" and "*Business—Legal Proceedings—Pending Legal Proceedings arising from the CONSIP School Contracts Litigation.*"

We may not be able to win new contracts, including competitively awarded contracts, and the contracts we win may not yield the expected results.

Public tender laws require that PSE and healthcare customer contracts for services such as those provided by our Group be put to competitive tender upon expiration, and automatic renewal clauses are prohibited. As a result, we must constantly win new contracts to defend our market share, sustain growth and such new contracts may be subject to competitive bidding. In addition, for private sector customers, the decision by an existing or potential customer to outsource services is dependent upon, among other things, its perception regarding the price and quality of such outsourced services and performance by us or other operators of services that have been outsourced in the past.

We may be unable to continue to win competitively awarded and other new contracts. In addition, we may spend significant time and incur costs in order to prepare a bid or proposal, or participate in a bidding process, at the end of which we may not be retained. This risk is generally more material in connection with large tenders launched by centralized purchasing agencies (such as CONSIP), in view of the fact that the time and costs associated with preparing

our bids and participating in the related bidding processes are normally greater compared to smaller or local tenders. Accordingly, the impact on our business related to the negative outcome of centralized tenders would generally be more significant given the lost opportunities with limited alternatives compared to the negative outcome of smaller or local tenders. Even if we are awarded a contract, it may not yield the expected results, in particular if we are unable to successfully calculate prices, control costs and manage day-to-day operations. For example, the timetable and/or cost structure may differ from prior estimates as both depend on a wide range of parameters, some of which are difficult to forecast, such as increased payroll costs resulting from unfavorable changes in labor and employments laws or regulations, which can lead to execution difficulties and cost overruns that we may not be able to pass on to our customers. Our inability to accurately predict the actual cost of providing our services could result in a decrease in our margins or even losses under these contracts, which would have a material adverse effect on our business, results of operations and financial condition.

Moreover, PSE and healthcare customer contracts are awarded through a regulated procurement process. Italian national, regional and municipal-level governments have increasingly relied upon multi-year contracts with pre-established terms and conditions. The increased competition, in turn, may require us to make sustained efforts to reduce costs in order to realize revenue and profits under such PSE and healthcare customer contracts. If we are not successful in reducing the amount of costs we incur, our profitability on PSE and healthcare customer contracts will be negatively impacted. Our inability to win PSE and healthcare customer contracts during regulated procurement processes or as a result of the policies pursuant to which these processes are implemented could have a material adverse effect on our business, financial condition and results of operations. See also "*—PSE and healthcare customers may curtail their reliance on our services due to political and administrative decisions or budgetary constraints, or they may otherwise revise their outsourcing and/or procurement policy in a manner adverse to our interests*."

We may not accurately estimate the costs of, or execute within budget, our fixed-price contracts.

More than half of our total revenue has been derived from multi-year contracts where the contract price is fixed on the date a bid is either tendered or awarded and cannot be subsequently altered, or our ability to adjust the price is severely restricted due to the applicable detailed regulatory framework, which provides only for certain limited cases of automatic adjustments or adjustments in case of variations to the underlying contract. See also "*Business—Regulation*."

Therefore, where the cost estimates made at the time of a bid prove to be inaccurate, our business, financial position and results of operations could be materially adversely affected.

To obtain the new contracts on which our future business performance depends, we must dedicate time and financial resources to complex competitive tender procedures with uncertain outcomes.

A substantial portion of our revenue is directly or indirectly derived from contracts for large-scale outsourced service arrangements. To secure these contracts, we must make a significant commitment of resources, in terms of both man-hours and financial resources, to bidding in a complex and competitive tender process with lengthy award procedures. It is generally very difficult to predict whether and when we will be awarded such contracts because of the complexity of the bidding and selection process. This process is affected by a number of factors, such as market conditions, financing arrangements and governmental approvals. If, after the competitive tender process, we do not succeed in being awarded the contracts for new outsourced service arrangements, we could fail to increase, or even maintain, our market share, revenue and net income, which may have a material adverse effect on our business, financial condition and results of operations.

The sterilization of laundry and surgical instruments and certain other services we provide carry liability risks.

Our Laundering and Sterilization Segment exposes us to risks relating to the sterilization of laundry and surgical instruments, which involve the preparation of sterile instrument sets for use in surgery rooms. In the event of any accidents or defects in the sterilization process, we could be liable to our customers or to third parties (including the patients) and could face subsequent claims for damages. In addition, we provide a variety of services such as providing, installing and maintaining fire safety and prevention equipment and systems and maintaining and refueling boilers powered by heating fuel which if performed negligently could lead to injury or property damage. If we fail to meet applicable regulatory or safety standards causing harm to individuals or entities, including, for example, through contamination of food products produced at the facilities that we clean, the outbreak of illness within the hospitals that we service, or fire accidents due to failure to comply with applicable regulatory standards, we could face substantial civil liabilities. In addition, as the health emergency resulting from the ongoing COVID-19 pandemic required the setting up of new triage areas and intensive care units, the Group's exposure to risks relating to its operation in the healthcare sector further increased, for instance, as the Group was requested to provide cleaning services in such intensive care units and in hospital that were converted to receive COVID-19 patients only. We have civil liability insurance policies to cover, among other things, the risks associated with the sterilization of linen and instruments. However, we could be liable for damages not covered by these policies or could be required to pay amounts exceeding the amount of such insurance cover, which could have a material adverse effect our business, financial condition and results of operations.

In addition, our reputation could be harmed by any actual or alleged failure to meet applicable cleanliness or safety standards. Any publicity relating to incidents of this kind could have a material adverse effect on our reputation and therefore, our business, results of operations and financial condition. See "*—The COVID-19 pandemic has impacted our operations and this or other future pandemics could impact our business, financial condition and results of operations*."

We are exposed to risks associated with our environmental responsibilities.

The environmental and energy requirements applicable to the facility services industry, including those mandated by law, by customers and by unions, are becoming increasingly stringent. To the extent that we are unable to pass the costs of compliance with stricter environmental requirements and taxes on to our customers, our margins may decline, which could have a material adverse effect on our business, results of operations and financial condition.

In particular, Servizi Ospedalieri operates within a sector which is particularly exposed to environmental risks raised by the possible water pollution stemming from wastewater discarded from laundering and sterilization processes. Servizi Ospedalieri has civil liability insurance policies to cover, among other things, the environmental risks relating to this sector. However, we could be liable for damages not covered by these policies or be required to pay amounts exceeding the level of such insurance cover in relation to environmental damages, which could have a material adverse effect on our business, financial condition and results of operations.

We also operate a number of properties at which industrial activities or activities involving the daily handling of hazardous materials take place. In the past, we operated additional laundry facilities and facilities at which cleaning equipment and materials were utilized, each of which involved the daily use and handling of hazardous materials. The possible presence of pollution on properties currently or formerly rented or operated by us, as well as the possible polluting or dangerous emissions arising from the systems and plants that we currently or formerly operated, may also result in claims for remediation or other claims related to such pollution, including claims of property damage or personal injury, which could have a material adverse impact on our results of operations. Failure to comply with applicable laws and regulations, and in particular, environmental offenses under LD 231 may also affect us. See "*Business—Regulation,*" "*—We may incur liabilities or be excluded from contracting with public authorities for the actions of our employees, managers or agents*" and "*—We are subject to extensive regulatory requirements*."

In addition, our Facility Management Segment is subject to energy efficiency laws, especially Law 10/91 of January 9, 1991, LD 192/2005 and subsequent implementing legislation, which require the reduction of energy consumption in buildings and energy audits. If efforts to address climate change or further reduce energy consumption result in increasingly stringent laws and requirements, and to the extent that we are unable to pass the costs of compliance on to our customers, our margins may decline, which could have a material adverse effect on our business, financial condition and results of operations. Moreover, our Facility Management Segment is subject to strict operational requirements, including obligations to perform the related activities in compliance with applicable protocols and technical provisions. Failure to comply with these obligations may ultimately result in regulatory sanctions, including operational bans. For example, we have recently been informed that the Municipality of Bari has alleged certain omissions in the performance of certain of our facility management services. The foregoing claim is at the initial stage and even though its outcome, as well as any potential liability arising therefrom, cannot be predicted as of the date of this Offering Memorandum, we intend to defend vigorously.

We are susceptible to claims of anti-competitive practices and we are currently involved in ongoing litigation in respect of an antitrust matter related to the CONSIP public tender for contracts to clean offices used by Italian public entities (FM4 Tender), and our business and results of operations may face further significant adverse consequences deriving therefrom.

We may be accused of anti-competitive practices. Any such claims could adversely affect our reputation and potentially result in fines, which pursuant to the applicable regulations, are calculated as a percentage of the tender value, with the percentage being determined by the type of offence. In addition, anticompetitive practices may, under certain interpretations of applicable law or public tenders, be deemed a cause for temporary exclusion from future tenders by the public contracting authorities, whether at the initiative of the public authority or as a consequence of lawsuits brought by our competitors. Moreover, anti-competitive practices allegedly committed by us in the context of public tender procedures and established by the competent authorities may trigger court and/or out-of-court actions by our competitors in these tender procedures claiming damages allegedly suffered in connection with the alleged breaches. See "*—We are involved in ongoing litigation in respect of an antitrust matter related to the CONSIP public tender concerning the cleaning of public schools, and our business and results of operations may face further significant adverse consequences deriving therefrom*" and "*Business—Legal Proceedings—Pending Legal Proceedings arising from the CONSIP School Contracts Litigation*." Any such fines or exclusions together with any legal proceedings could have an impact on our business, financial condition and results of operations. As of September 30, 2020, our provisions for litigation risks (including tax litigation) amounted to €105.9 million.

The ICA issued a sanction against us in connection with alleged anti -competitive practices relating to the CONSIP School Framework Agreement. See "*—We are involved in ongoing litigation in respect of an antitrust matter related to the CONSIP public tender concerning the cleaning of public schools, and our business and results of operations may face further significant adverse consequences deriving therefrom*." In addition, in June 2014, the Issuer tendered to CONSIP for contracts to clean offices used by Italian public entities (the "**FM4 Tender**"). In March 2017, we were informed that the ICA had launched an investigation against the Issuer and six other competitors to determine if antitrust violations were committed in connection with the FM4 Tender (on November 2017 and on April 2018, eleven additional companies were included in the scope of the ICA in the investigation). The allegations in the FM4 Tender investigations are similar to those in the CONSIP School Contracts Litigation. On April 17, 2019, after the completion of the ICA Investigation, the ICA issued a decision stating that the Issuer and other companies involved in the investigation violated antitrust rules in the FM4 Tender process and issuing a fine against the Issuer and such competitors (the "**ICA FM4 Decision**"). The fine against the Issuer amounted to €91.6 million.

On July 3, 2019, the Issuer challenged the ICA FM4 Decision before the TAR Lazio seeking the suspension of its effects (including the payment of the fine) pending the TAR Lazio review (the "**ICA FM4 Decision Appeal**"). On July 18, 2019 the TAR Lazio granted the suspension request relating to the payment of the fine issued with the ICA FM4 Decision pending the TAR Lazio decision on the merits, subject to the Issuer granting a guarantee in favor of the ICA (including through an insurance policy) within 60 days from July 18, 2019.

The Issuer challenged the TAR Lazio decision issued on July 18, 2019 before the Council of State on August 1, 2019 which was denied on September 12, 2019. On September 17, 2019, the Issuer informed the market that it had not provided any guarantee in favor of the ICA after which on October 29, 2019 the ICA formally requested the guarantee be provided by the Issuer within 15 days in accordance with the court decision. The ICA also informed the Issuer that failure to provide such guarantee by the relevant deadline would have resulted in the relevant amount being registered as a tax debt of the Issuer in the tax register of the Italian Revenue Agency (*Agenzia delle Entrate*). The Issuer did not provide the requested guarantee and the fine imposed by the ICA was registered as tax debt of the Issuer and made enforceable by the Italian Revenue Agency following the issuance of a notice of payment on December 18, 2019 for an amount equal to €94.6 million (including collection charges for €2.8 million). On December 23, 2019, the Issuer submitted a request for payment of these sums in installments, which was formally granted on January 10, 2020 by the Italian Revenue Agency. The decision of the Italian Revenue Agency provided the Issuer with the option to pay the amount due in 72 monthly installments at an interest rate of 4.5% as from January 24, 2020. The Issuer started to pay these installments on a regular basis, pending the outcome of the legal action brought against the ICA FM4 Decision. The Issuer paid the third monthly installments (for an aggregate amount of approximately €3 million) before the enactment of a specific law provision granting Italian companies the right to temporarily suspend such payments to the Italian Revenue Agency, which entered into force as a special remedy to address the economic and financial impacts of the COVID-19 outbreak.

On July 27, 2020, the TAR Lazio ruled on the ICA FM4 Decision Appeal confirming the ICA FM4 Decision on the merits but partially accepting the appeal with respect to the criteria used in calculating the relevant fine (the "**TAR Lazio Ruling on the ICA FM4 Decision**"). The TAR Lazio consequently set the parameters for the recalculation and returned the case to the ICA to recalculate the fine on the basis of such parameters. The Issuer, maintaining that there has not been any wrongdoing in connection with its participation in the FM4 Tender and that the TAR Lazio Ruling on the ICA FM4 Decision is unjustified and disproportionate, appealed the TAR Lazio Ruling on the ICA FM4 Decision before the Council of State (*Consiglio di Stato*) on November 25, 2020. On October 29, 2020, the ICA notified the Issuer its recalculation decision stating that the revised fine is equal to €79.8 million. We expect that the Italian Revenue Agency will allow payment of the recalculated fine using an installment plan similar to that granted to us on January 10, 2020 and that the installments already paid by us will be deducted from the outstanding amount under such payment plan. However, on December 24, 2020, we challenged the foregoing ICA decision on the revised fine dated October 29, 2020 before the TAR Lazio.

On December 22, 2020, the ICA notified the Issuer of its appeal against the TAR Lazio Ruling on the ICA FM4 Decision, requesting the confirmation of the ICA FM4 Decision, including the original fine amounting to €91.6 million. Both such ICA appeal and our appeal against the TAR Lazio Ruling on the ICA FM4 Decision will be discussed before the Council of State on March 31, 2021. We intend to defend our position vigorously before the relevant courts.

Furthermore, on June 28, 2019 we were also notified by CONSIP of its decision to exclude the Issuer from the FM4 Tender alleging the Issuer's gross negligence (*errore grave commesso nell'esercizio dell'attività professionale*) in allegedly breaching antitrust rules and allegedly failing to provide reliable information to CONSIP during the tender procedure (again in connection with the alleged antitrust infringement). Moreover, CONSIP decided to proceed with the enforcement of the Issuer's bid bond (amounting to €3.9 million) provided in connection with such tender (the "**CONSIP FM4 Tender Exclusion**"). On July 3, 2019, the Issuer challenged the CONSIP FM4 Tender Exclusion before the TAR Lazio seeking its annulment as well as the

suspension of its enforcement (including in relation to the enforcement of the bid bond) as a precautionary measure, pending the court's review on the merits of the case. On July 10, 2019 the TAR Lazio granted the Issuer's request of suspension of the enforcement of the bid bond as a first precautionary measure, pending its decision on the ICA FM4 Decision Appeal. A second preliminary hearing was scheduled by the TAR Lazio on September 11, 2019. Following such hearing the TAR Lazio granted the suspension of the enforcement of the Issuer's bid bonds provided in connection with the FM4 Tender, but not the request for the suspension of the CONSIP FM4 Tender Exclusion *per se*, and scheduled a hearing to discuss the merits of the case on July 15, 2020, which was subsequently postponed to March 17, 2021. The Issuer challenged such precautionary decision before the Council of State alleging it was erroneous, but the Council of State rejected the appeal on November 28, 2019.

In terms of business consequences, we believe that the Issuer could be excluded, on a case by case basis and upon a discretional assessment, by public contracting authorities arranging the relevant tender or upon a decision of an administrative court following a claim by competitors seeking to block the Issuer participation in a tender over a period not exceeding three years.

In addition, as a result of the CONSIP FM4 Tender Exclusion, ANAC also notified us its decision to start a proceeding against us alleging that the we provided false statements in the context of the FM4 Tender. On November 4, 2019 the Issuer challenged the ANAC decision before the TAR Lazio. A hearing for the discussion of the case has not yet been scheduled and ANAC has temporarily put its proceeding on hold pending the appeals brought by us against the ICA FM4 Decision and the CONSIP FM4 Tender Exclusion). The theoretical impacts of an adverse result could be similar to those described in connection with the Santobono-Pausilipon False Statement Registration Proceeding, with the duration of a potential exclusion which cannot exceed one year starting from its registration by ANAC, due to the application of the Former Code on Public Procurement to this proceeding. See "*Summary—Recent developments—Exclusion of Rekeep S.p.A. from public tender procedures through June 17, 2021*," "*Risk factors—Risks related to our business—We may face significant consequences as a result of the ANAC Santobono-Pausilipon Decision*" and "*Business—Legal Proceedings—False Statement Registration litigation between the Issuer and ANAC following a proceeding started by ANAC upon notice by the Santobono-Pausilipon Public Health Agency of Napoli*."

To date, since the FM4 Tender was not awarded, the latter did not generate any revenue for the Issuer's portfolio, nor was it included in the Issuer's backlog. Moreover, while as of the date of this Offering Memorandum, such instance did not occur, one or more of our competitors that participated in the FM4 Tender may bring court and/or out-of-court actions against us claiming damages supposedly suffered in connection with the alleged breaches established by the ICA FM4 Decision. See "*—We are involved in ongoing litigation in respect of an antitrust matter related to the CONSIP public tender concerning the cleaning of public schools, and our business and results of operations may face further significant adverse consequences deriving therefrom*" and "*Business—Legal Proceedings—Pending Legal Proceedings arising from the CONSIP School Contracts Litigation*."

On March 6, 2020 the Issuer was also notified by CONSIP of its decision to (i) exclude the Issuer from a CONSIP tender for museums cleaning; and (ii) proceed with the enforcement of the Issuer's bid bond provided in connection with such tender (the request was notified on March 13, 2020). The Issuer challenged the CONSIP decision before the TAR Lazio seeking the suspension of its effects pending the TAR Lazio's review. On April 22, 2020 the TAR Lazio suspended the enforcement of the Issuer's bid bonds provided in connection with the tender and scheduled a hearing for the discussion of the merits of the case, which was held on October 21, 2020. On December 7, 2020, the TAR Lazio rejected the Issuer's appeal. The Issuer believes that this decision is erroneous and therefore on January 5, 2021, challenged it before the Council of State (*Consiglio di Stato*) seeking the suspension of its effects pending a decision on the merits of the appeal, including in relation to the potential enforcement of the bid bond.

The Issuer has recorded provisions for future charges of €17.5 million as of September 30, 2020, taking into account, *inter alia*, the risk of the possible enforcement of the bid bonds mentioned

above provided in connection with the FM4 Tender as well as with CONSIP tender for museums cleaning.

As a result of both the ICA FM4 Decision and the CONSIP FM4 Tender Exclusion, certain of our competitors have challenged the Issuer's eligibility to participate in individual public tenders, alleging that the Issuer should be excluded since the alleged antitrust infringement constitutes gross negligence or bad faith. Similarly, certain of our competitors have already challenged the eligibility of other companies to participate in certain public tenders due to their alleged involvement in the alleged antitrust infringement by the Issuer, alleging that these companies should also be excluded since the alleged infringement constituted serious professional unlawful conduct under applicable law. As of the date of this Offering Memorandum, the competent courts have in certain cases rejected the requests brought by our competitors to exclude the Issuer from public tenders in light of the ICA FM4 Decision, while in other cases they have yet to come to a decision or have accepted the requests of our competitors by stating that the ICA FM4 Decision can in principle form the basis of a decision to exclude the Issuer from a tender. However, in those specific cases, even in the light of the ICA FM4 Decision, the tendering authorities did not provide detailed reasons as to why they did not exclude the Issuer and, therefore, ordered the tendering authorities to carry out their assessment again. As of the date of this Offering Memorandum, this new assessment has never led to the exclusion of the Issuer from any such tenders. In addition, as of the date of this Offering Memorandum—except for the abovementioned decision of CONSIP to exclude us from the relevant tender for museums cleaning—the Issuer has been excluded from only one public tender procedure upon decision of the tendering authority, and has promptly challenged such exclusion before the competent court. Such court stated that the ICA FM4 Decision can in principle form the basis of the decision of a tendering authority, on a case by case basis and in its discretion, to exclude the Issuer from a tender, but in that specific case, the tendering authority did not carry out a sufficiently in-depth analysis of the arguments presented by the Issuer in opposing the exclusion. Therefore, the court ordered the tendering authority to carry out a new analysis, which is currently pending. See "*—We are involved in ongoing litigation in respect of an antitrust matter related to the CONSIP public tender concerning the cleaning of public schools, and our business and results of operations may face further significant adverse consequences deriving therefrom*" and "*Business—Legal Proceedings—FM4 Tender Litigation and other proceedings arising therefrom*."

We are subject to extensive regulatory requirements.

We operate in sectors characterized by specific and detailed laws and regulations which are constantly changing, including laws and regulations with respect to public tenders, employment and the environment, some of which have been explained in more detail under this "*Risk factors*" section. Several of our activities may also be subject to EU and Italian laws as well as specific regulatory or professional body stipulations or licensing requirements. For example, we furnish fire safety equipment and we must comply with new fire code legislation and best practices. Failure to comply with applicable regulations could result in substantial fines, claims relating to violations of social and working environment legislation or revocation or suspension of authorizations, concessions and/or licenses.

In addition, certain provisions of the Italian Public Tender Laws require compliance with certain morality requirements to participate in public tenders as discussed under "*—We may incur liabilities or be excluded from contracting with public authorities for the actions of our employees, managers or agents*" related to, *inter alia*, fraud, bribery and corruption, bid rigging (*turbativa d'asta*) environmental and labor law violations (including failure to pay applicable labor law taxes and social security contribution), antitrust infringements, false statements to a public contracting authority and crimes against the person or workplace safety violations. Similarly, the provisions of LD 231 may also affect us. Failure to comply with such rules as well as failure to comply with other requirements set forth in the public tender regulation (including, *inter alia*, conflict of interest with public contracting authorities or with our competitors, breach of PSE contractual obligations—which notably can trigger particularly high-value penalties—and failure to comply with certain of our obligations towards our subcontractors) may render us

ineligible to participate in a public tender and/or may result in the termination of a public contract awarded or entered into, exclusion from current public tenders, sanctions and penalties, civil and administrative fines, operational bans (including on a precautionary basis (*e.g.*, ordered by the competent authorities pending the investigation phase, thus before a first instance decision on the case has been issued). See"*—We may incur liabilities or be excluded from contracting with public authorities for the actions of our employees, managers or agents*" and "*Business—Legal Proceedings—Naples Criminal Proceeding.*" Other provisions of law, including criminal law provisions, prohibit various kind of fraud in relation to public contracting or willful failure to fulfill service obligations under a PSE or healthcare customer contract. Moreover, pursuant to several of our contracts with PSEs, such entities are entitled to terminate or withdraw from the contracts in the event of, *inter alia*, (i) a failure by us to comply with any moral and professional requirements or (ii) criminal proceedings involving one or more members of our corporate bodies or key employees, in connection with crimes against, among others, the public administration or the public order.

Future changes to the existing rules, reinterpretations of existing laws, case law and/or the enactment of new laws to cover the sectors in which we operate (including those resulting in the establishment of stricter morality requirements to participate in public tenders), could influence our productivity levels by limiting or restricting our services and by making it more burdensome or costly for us to carry out our activities, which could have a material adverse effect on our business, financial condition and results of operations. See also "*Business—Regulation*."

Higher employment costs may have a material adverse effect on our business, financial condition and results of operations.

Labor costs have been increasing steadily in our business over the past several years. Our labor costs may rise faster than expected in the future as a result of increased workforce activism, government measures and changes in social and pension contribution rules meant to reduce government budget deficits or to increase welfare benefits to employees. We may not manage to offset the increase in labor costs through productivity gains. If employment costs increase further, our operating costs will increase, which could, if we cannot recover these costs from other initiatives or offset them through productivity gains or other measures, have a material adverse effect on our business, financial condition and results of operations.

Our backlog is subject to unexpected adjustments and service contract terminations and is, therefore, an uncertain indicator of future earnings.

As of September 30, 2020, our backlog totaled €2,821 million. We cannot be certain that our backlog will generate the expected revenue or cash flows or generate them when we expect. Unforeseen events or circumstances, including, for example, termination or scaling down of service contracts, increased time requirements to complete the work, delays in commencing work, disruption of work, litigation associated with amounts included in our backlog, resulting in the termination of such contracts or exclusion of our ability to perform them, or other unforeseen events (such as those discussed in these "*Risk Factors*," including the effects of the COVID-19 pandemic) may affect projects in the backlog and could negatively impact our results of operation and financial position. Moreover, any administrative liability for the Issuer under LD 231 could give rise to the right of certain of our PSE counterparties (as well as private counterparties, if specifically provided for under the relevant contracts) to terminate existing contracts, which could reduce our backlog. See "*Business—Legal Proceedings—Naples Criminal proceeding*," "*Business—Legal Proceedings—Varese 231 Investigation*" and "*Business—Legal Proceedings—Other Proceedings concerning health and safety legislation and other investigations or proceedings pending against certain of our employees or former employees which could potentially trigger our liability under LD 231*."

Our customers may have the right under certain circumstances or with certain penalties or consequences, to cancel, reduce or defer firm orders that we include in our backlog, including, by way of example, if the competent administrative courts upheld claims brought by our competitors to challenge the award to us of a contract pursuant to a public tender in those specific cases in which we are allowed to begin performing under the contract (and therefore

generate revenues) despite such claim remaining pending. If our customers cancel, reduce or defer firm orders, we may be protected from certain costs and losses, but our revenue will nevertheless be adversely affected. Although we strive to maintain ongoing relationships with our customers, there is an ongoing risk that orders may be canceled or rescheduled due to fluctuations in our customers' business needs or purchasing budgets, especially with respect to PSEs and healthcare customers which represented approximately 91% of our total backlog as of September 30, 2020. In addition, our realization of sales from new and existing programs is inherently subject to a number of important risks and uncertainties, including whether our customers execute the launch of new facilities or initiatives on time, or at all, the number of buildings that our customers actually commission or maintain and the timing of insourcing decisions made by our customers. Moreover, our backlog includes the percentage of revenue we estimate will accrue to the Group by virtue of our participation in TJAs which can be affected by defaults by our TJA partners or claims by subcontractors thereof as discussed under "*—We may be deemed liable for damages caused by our TJA partners, consortium partners and subcontractors and have responsibilities towards their employees.*" There can be no assurances that the revenue projected in our backlog will be realized or, if realized, will result in profits. Because of contract terminations or suspensions and changes in contract scope and schedule, we cannot predict with certainty when, or if, our backlog will be actualized. We can provide no assurance that we will not receive additional terminations, and, even where a contract proceeds as scheduled, it is possible that the customer may default and fail to pay amounts owed to us. To the extent we are unable to realize the pipeline of revenue associated with contracts in our backlog due to material delays, terminations or payment defaults, our business, financial condition and results of operations could be adversely affected.

In addition, our definition of backlog may not necessarily be the same as that used by other companies engaged in activities similar to ours. As a result, the amount of our backlog may not be comparable to the backlog reported by such other companies.

Finally, while we believe that the ANAC Santobono-Pausilipon Decision should not trigger any significant termination risk with respect to existing contracts already in the portfolio and included in the Group's backlog, we cannot provide any assurance that authorities or courts will adopt the same interpretation of the applicable laws and regulations. See "*We may face significant consequences as a result of the ANAC Santobono-Pausilipon Decision*."

We may be unable to execute our growth strategy or to integrate new, or divest existing, businesses successfully. As a result, future growth from acquisitions or start-up initiatives may be more limited than we would expect and may not prove successful in the long term.

We intend to continue to develop and expand our business, including through (i) selective bolt-on acquisitions in Italy and in certain international markets, (ii) start-up initiatives in new sectors that are complementary to our core activities and (iii) discontinuation or divestment of non-performing units of our business. However, acquisitions, start-up initiatives and divestments, in addition to our organic growth, may strain our management and financial resources. Among the risks associated with our growth strategy, which could materially adversely affect our business, results of operations and financial condition, are the following:

- we may incur substantial costs, delays or other operational, cultural or financial problems in completing the acquisition, integrating and developing the new businesses;
- management's attention may be diverted from the operation of existing businesses;
- we may not be able to retain or provide key personnel or customer contacts for the new businesses;
- we may encounter unanticipated events, circumstances or legal liabilities related to the new businesses; and
- we may not achieve anticipated synergies or other expected benefits from the new businesses.

Any of these risks could significantly disrupt our ability to manage our business and materially and adversely affect our business, financial condition, results of operations and cash flow.

For example, in 2020, the Group discontinued operations of the start-up Yougenio which it incorporated in 2016 to expand in the "business to consumer" services market, due, among others, to the increased costs and investments required to develop the business. Any future discontinuation of operations or divestment of assets may not ultimately improve our financial condition or result in returns which were previously anticipated.

Even if we are successful in acquiring new businesses, the integration of such businesses may prove to be more difficult than we initially anticipated and could create unforeseen operating difficulties and expenditures. In addition, there can be no assurance that, following integration with our Group, an acquired operation will be able to maintain its customer base consistent with expectations or generate the expected margins or cash flows. Likewise, if we fail to control start-up costs, or do not accurately estimate their amount when pricing our services, we may experience significant losses or otherwise not generate the expected return from the investment made. The assessments of any potential acquisition targets and start-up initiatives are subject to a number of assumptions concerning profitability, growth, interest rates and company valuations and there can be no assurance that our assessments of and assumptions regarding acquisition candidates and start-up initiatives will prove to be correct and actual developments may differ significantly from our expectations. Acquisitions also pose certain other risks, for example, difficulties or delays in consolidating operations and achieving anticipated synergies, cost savings, revenues and cash flow enhancements, growth, operational efficiencies and other benefits, diversion of managerial resources away from our day-to-day business operations, overpayment for the acquired business, potentially dilutive issuances of equity securities to the extent that we issue new shares to fund an acquisition and the assumption of unexpected liabilities and undisclosed risks.

We may also have to pay cash, incur further debt, or issue further securities to pay for an acquisition and for start-up costs, any of which could adversely affect our results of operations in the future. The incurrence of further indebtedness could result in increased obligations and include covenants or other restrictions that restrict our operational ability, which could also adversely affect our business, results of operations or financial condition.

Furthermore, acquisitions of companies and start-up initiatives expose the Group to the risk of unforeseen obligations with respect to employees, customers, suppliers and subcontractors of the new businesses, to public authorities or to other parties. Such obligations may have a material adverse effect on our business, results of operations or financial condition.

Any expansion of our business outside of Italy may present risks.

We have historically focused our business within the Italian markets and therefore have been only partially exposed to foreign opportunities. However, beginning in 2016, we commenced an internationalization program consisting of both organic growth, investments and acquisitions consisting of start-up of facility management activities in France and the establishment of Rekeep United in Turkey and more recently, the acquisitions of an 80% shareholding in the Naprzód Group, and of ISS HS Sp. Zoo. There can be no assurance that any of these acquisitions and future investments will prove successful.

Entering international markets, including other European markets or emerging markets, requires substantial amounts of management time and attention, either through acquisitions, joint ventures or other forms of association. The economies of some of these countries differ from the economies of Western Europe and in some cases present a greater risk profile due to, among others, the level of political instability, government involvement, development, growth rate and control of foreign exchange. Additionally, the manner and nature of public tenders in other markets may differ from that of Italy, which could limit the transferability and applicability of our know-how and accumulated expertise. For these and other reasons, our services may not be accepted in other markets to the extent which would be necessary to make our international expansion profitable.

Moreover, the additional demands on management from these activities may detract from our efforts in Italy and adversely affect our operating results. Any international expansion exposes us to the risks normally associated with conducting international business operations, including multiple national and regulatory compliance requirements, licensing requirements, unexpected changes in regulatory requirements, changes in foreign legislation (and public tender requirements), labor, data protection, anti-corruption, anti-money laundering and terrorist financing, possible foreign currency controls, currency exchange rate fluctuations or devaluations, tariffs, difficulties in staffing and managing foreign operations, difficulties in obtaining and managing information suppliers, potential negative tax consequences, difficulties collecting accounts receivable and inability to enforce any remedies that would be otherwise available. In addition, we may face additional risks, including incurring start-up losses for several years due to lower levels of business, initial costs for the setting up of the business, training costs, the lack of expertise and loss of key employees in such markets, differences in business cultures and practices, the lack of adequate and available management teams to monitor and integrate these operations, unfavorable commercial terms and difficulties in maintaining uniform standards, control procedures and policies. Moreover, joint ventures, associations or networks may involve additional risks related to disagreements regarding strategy, the need to provide further investments, general lack of control over the direction of the joint venture or association and/or reputational risks with respect to the quality of services rendered by network partners. Any negative impact caused by the foregoing risks could have a material adverse effect on our business, results of operations and financial condition. In addition, as we expand into new jurisdictions, our business will be subject to applicable laws, regulations and licensing requirements in those new jurisdictions, which may be different than the jurisdictions in which we currently operate.

Our ability to manage our labor costs is primarily dependent upon provisions of the collective bargaining agreement applicable to cleaning and facility management that allow the transfer of employees to and from the Group upon the awarding or loss of a contract for cleaning and/or facility management, as applicable.

As of September 30, 2020, 13,764 workers (approximately 50% of our total workers) are employed pursuant to CCNL Multiservizi. Such CCNL facilitates, under certain circumstances, the transfer of employees from one outsourced provider of cleaning and facility management to another upon the expiration or termination of a contract to provide such services to a healthcare customer, PSE or private sector customer, which has the effect of reducing liabilities for exiting providers and reducing startup costs for incoming providers. Any future labor law reforms, renegotiation of the CCNL with trade unions and other parties and/or new case law could hinder or significantly reduce our ability to manage our labor costs by increasing liabilities in cases where we are the exiting provider (i.e. employee severance indemnities) or by increasing startup costs where we are the incoming provider (i.e. cost of recruiting and training new personnel) which could also have a material adverse effect on our business, financial condition and results of operations. For further information, see "*Business—Employees and labor arrangements—Transfer of employees*."

We rely on employee leasing arrangements for a number of our employees which could be re-characterized by employment tribunals or tax authorities, resulting in substantial liabilities.

As of September 30, 2020, 348 individuals (approximately 1.3% of our total employees), from manual workers to senior managers, who work for our Group are actually employees of MSC and are leased to the Group under employee leasing arrangements (*rapporti di somministrazione*) under a permanent authorization granted by the Italian Ministry of Labor on June 13, 2007. This includes certain executive officers and managers of the Group. In addition, from time to time other individuals are leased to us from a number of staff-leasing providers. Termination of such contracts by MSC or these staff-leasing providers, any change in the relevant laws or re-characterization of these employment relationships by a court or tribunal could make us hire such employees directly or make other arrangements, which could have a material adverse effect on our business, financial condition and results of operations. In addition, tax, social security and other public authorities may consider these employee-leasing arrangements differently under

new laws or new interpretations of existing laws, causing us to incur liabilities related to contributions to certain social security programs, which could also have a material adverse effect on our business, financial condition and results of operations. For further information, see "*Business—Employees and labor arrangements—Employee leasing*."

We may be subject to claims or penalties relating to the working conditions of our employees.

Our operations are subject to environmental as well as occupational health and safety laws and regulations. Some of the services we undertake in our business put our employees and others in close proximity with large pieces of mechanized equipment, moving vehicles and hazardous chemicals. In most cases, we are responsible for the safety of our personnel and the general wellbeing of our customers' employees and patrons who may work or do business nearby. If we fail to implement safety procedures or if the procedures we implement are ineffective, our employees and others may become injured. Unsafe work sites also have the potential to increase employee turnover, increase the cost of a service to our customers or the operation of a facility, and raise our operating costs. Any of the foregoing could result in financial losses, which could have a material adverse effect on our business, financial condition and results of operations.

In addition, certain of our operations involve the handling of hazardous chemicals, which, if improperly handled or disposed of, could subject us to civil and criminal liabilities. We are also subject to regulations dealing with occupational health and safety. Our safety record is critical to our reputation. Many of our customers require that we meet certain safety criteria to be eligible to bid for contracts, and many contracts include termination or forfeiture of some, or all, of its contract fees or profit in the event that we fail to meet such requirements. New technology, the implementation of new work processes, services, tools and machinery may have unforeseen negative effects on the working conditions of our employees and may subject us to liabilities based on allegations of illness or disease resulting from exposure. Violations of, or liabilities under, applicable environmental or occupational health and safety laws and regulations could result in fines, penalties, legal claims as well as increased operating costs, which could have an adverse effect on our business, results of operations and financial condition.

Under applicable Italian law, when workers become injured in connection with their duties and as a result are absent from work for more than 40 days, the relevant public prosecutor must open an investigation into workplace safety and, depending on the circumstances, may bring criminal proceedings against our regional officer charged with workplace safety or against our management or chief executive officer. Any conviction for failures or omissions related to workplace safety may violate a morality clause in relevant public tenders (*moralità professionale*), expose us to liabilities under LD 231 and render us ineligible to compete for such contracts which could have an adverse effect on our business, results of operations and financial condition.

We may be deemed liable for damages caused by our TJA partners, consortium partners and subcontractors and have responsibilities towards their employees.

In carrying out our activities, we partner with third parties in TJAs and consortia such as through Consorzio Stabile CMF, a 99% owned subsidiary established to compete for public tenders, and we subcontract certain services to third-party companies. Reliance on TJA partners, consortium partners and/or subcontractors reduces our ability to directly control the workforce and the quality of the services provided. Accordingly, we are exposed to risks relating to managing TJA partners, consortium partners and subcontractors and the risk that they may fail to meet agreed quality benchmarks under the contract or to generally comply with applicable legislative or regulatory requirements. In case of default by a TJA partner, consortium partner or subcontractor, we may be deemed jointly liable for any damages suffered by the customer as a consequence of such default, especially when such TJA partner, consortium partner or subcontractor renders services as an input to services provided in conjunction with the Group. In particular, according to the Italian Public Tender Laws, a consortium organized as a permanent consortium (*consorzio stabile*) is jointly and severally liable for actions and omissions of one of its members. Consorzio Stabile CMF is a consortium formed by several Group companies, which own 99% of the consortium, and additionally by a third-party which owns the remaining 1% participation. Moreover, TJA partners are each liable to the customer and our subcontracts

usually provide for an indemnity from the subcontractor to cover our costs in case of such a claim as well as the assignment of claims and other provisions regarding the enforcement of the contract; however, we cannot assure you that customers or courts will agree and will not impose sanctions on us or prevent us from participating in future public tenders.

Under Italian law, contractors (and concession holders) have responsibilities towards the contracting authorities (and concession-granting authority) with respect to the conduct and quality of work of such concession contractors (and holder's subcontractors) and the actions of the subcontractor's employees. Duties that the law recognizes include the following duties of the contractor (and concession holder) and imposes joint and several responsibility for any resultant breach thereof: to maintain a safe work environment, to supervise the quality of the subcontractors' work product and to monitor and cause the subcontractors pay salary, severance indemnity, social security and tax payments to the subcontractor's employees for the duration of the subcontract and for two years after its expiration. In particular, the contractor and the subcontractors must provide the contracting entity with a copy of the payment of tax, social security and pension deductions. If any of the required evidence is missing, the contracting entity shall suspend all payments to the contractor and subcontractor and inform the relevant tax authority of the breach. In addition, the contractor and all sub-contractors are required to provide the public authority with the social security clearance contribution certificate ("*DURC*") in order to be paid the fees for the services rendered under the relevant contract; if DURC is missing, the contracting entity is required to refrain from making the relevant payments.

If we are found liable for damages caused by our TJA partners, consortium partners and subcontractors, our business, results of operations and financial condition could be adversely affected.

On March 19, 2013, a fire in the former Olivetti area at Scarmagno (Turin) led to the destruction of the building and the goods contained therein. The Issuer was performing integrated facility services for Prelios SGR S.p.A. (owner of the building) in such area. Three of our employees, the owner and two employees of one of our sub-contractors and the owner of the firm that stocked combustible material on site have been charged with arson and violations of safety regulations that allegedly caused the fire before the Criminal Court of Ivrea. The Issuer was sued by the plaintiffs (Prelios SGR S.p.A., Telecom Italia S.p.A., Olivetti S.p.A., Urmet S.p.A., Wirelab S.p.A, and Mr. De Lise), as a severally liable party in respect of all the financial and non-financial damages. The request for damages brought in the context of such criminal proceeding are equal to approximately €4.5 million (plus the greater damage that can be requested and demonstrated during the proceeding). On February 24, 2017, the Criminal Court of Ivrea fully acquitted all the defendants in light of, *inter alia*, the lack of malice on their part. The Office of the Public Prosecutor and the plaintiffs have appealed such decision before the Criminal Court of Appeal of Turin which has not yet scheduled a first hearing for the discussion of such appeal.

Moreover, various subjects allegedly damaged by the fire accident, and, in certain cases their related insurance companies (including AIG Europe Limited and Generali S.p.A.) brought civil suits as well as out of court requests against the Issuer for damage reimbursement, in relation to damages allegedly caused by the Issuer's employees. As a result of such requests and claims, upon the execution of certain settlement agreements we paid to such claimants an overall amount of approximately €4 million, through amounts made available by the Issuer's insurance company. In such cases, the claimants, while retaining some specific rights of recourse, generally waived their rights to further litigate the relevant matter against the Issuer. As of the date of this Offering Memorandum, it is difficult to quantify the exact amount of additional damages, which could still be claimed by other subjects allegedly damaged by such fire. See "*Business—Legal Proceedings—Prelios SGR S.p.A.—Scarmagno Fire—Criminal Proceeding*."

We may incur liabilities or be excluded from contracting with public authorities for the actions of our employees, managers or agents.

Our employees deliver services within buildings, for specific fixed assets (i.e. telecommunications equipment) and at locations owned or operated by our customers. As a result, we may be subject

to claims in connection with damage to property, business interruptions, unauthorized use of the customer's property, unauthorized entry or breach of security protocols, negligence or willful misconduct or other tortious acts by our employees or people who have gained unauthorized access to premises through us. Such claims may be substantial and may result in adverse publicity for our Group. Accordingly, these claims could have a material adverse effect on our business, financial condition and results of operations.

In addition, the tender process by, and contractual relationship with, PSEs and healthcare customers involves risks associated, among others, with fraud, bid rigging (*turbativa d'asta*), bribery and corruption and the procurement process by private sector customers involves risks associated with fraudulent activity (private bribery). Although we maintain internal monitoring systems, and we have never been convicted, fined or sanctioned in connection with fraud, bribery or corruption, we may be unable to detect or prevent every instance of fraud, bid rigging (*turbativa d'asta*), bribery and corruption involving our employees, managers or agents in the future. We may therefore be subject to civil, administrative and criminal penalties, also pursuant to the provisions of LD 231 and to reputational damage as a result of such occurrences and, in certain cases, lose the benefit of certain public subsidies, including, *inter alia*, in relation to social security matters. Investigations and convictions (including non-final and binding ones) with regards to certain crimes (*moralità professionale*) or their equivalent in other countries where we operate, including, *inter alia*, fraud, bid rigging (*turbativa d'asta*), bribery and corruption, environmental violations, antitrust infringements, false statements to a public contracting authority, certain tax and labor law violations, and crimes against the person or workplace, safety violations and 231 violations in general may expose us to sanctions and penalties, civil and administrative fines, prohibition from receiving additional fees or obligation to forfeit them, operational bans (including on a precautionary basis—*e.g.*, ordered by the competent authorities pending the investigation phase, thus before a first instance decision on the case has been issued) and render us ineligible to maintain our existing PSE or healthcare customer contracts and/or participate in public tenders (either automatically or, in certain cases, on a case by case basis and upon a discretionary assessment); for example, in relation to an alleged tax violation, we have been recently informed that a former attorney in fact of the Issuer is currently under investigation for certain fraudulent tax returns related to tax periods from 2013 to 2017. However, we believe that cannot be held liable pursuant to LD 231 because the alleged charges occurred before they were included in the scope of application of LD 231. We are also exposed to the risk of claims brought by third parties, including competitors, alleging the occurrence of certain of the abovementioned breaches (for instance, we were informed that in 2018 a competitor asserted that we illegitimately renounced to a claim against a concessionaire in exchange for certain economic advantages). We maintain that such claim is totally groundless and as of the date of this Offering Memorandum, we have not been informed of any investigation being started by any public prosecutor in relation thereto. In addition, certain of our employees have been or still are, in certain cases, under criminal investigation or a proceeding was or is still pending against them in relation to the alleged occurrence of certain of the abovementioned breaches. However, as of the date of this Offering Memorandum, none of such claims, investigations and proceedings resulted in any final and binding decision to exclude us from any public tender or existing contract by any competent authority. We have adopted certain internal compliance policies and procedures (known as "**self-cleaning measures**") as part of strengthening our structure and risk management policies, considering that statutes typically provide that public contracting entities and courts should take self-cleaning measures into account when determine whether to exclude the Issuer from public tenders. However, we cannot guarantee that such self-cleaning measures will be effective or that competitors will not object and raise disqualification claims. As a result, the involvement or association of our employees, managers or agents with fraud, bid rigging (*turbativa d'asta*), bribery or corruption, or other relevant violations, criminal convictions or allegations or rumors relating thereto, even in their past capacities at other companies, could therefore have a material adverse effect on our business, financial condition and results of operations. See "*Business—Regulation*," "*Business—Legal Proceedings*."

For example, on April 3, 2017, the Naples Public Prosecutor served a search warrant and a notice of a criminal investigation against three current employees and one former employee of the Issuer, and as a result, the Issuer in its capacity as employer was subject to investigation under LD 231, in relation to the alleged bribery by such employees of one or more public officials in the context of the tender for the awarding of certain cleaning services at the Santobono-Pausilipon Public Health Agency (*Azienda Ospedaliera di Rilievo Nazionale Santobono-Pausilipon*) of Napoli, which generated approximately €2.5 million in annual revenues in 2016 and had a negative contribution margin for the Issuer. Works under the project concluded in May 2017. The crime of corruption, can trigger administrative liability for the Issuer under LD 231, and at the beginning of May 2017, the Public Prosecutor requested a temporary injunction on the Issuer from contracting with public authorities pending the conclusion of the criminal investigation. Following a hearing on May 26, 2017, the judge rejected the temporary injunction, finding that the conditions for such injunction were not satisfied. On August 3, 2017, the Judge of the Preliminary Investigations (GIP) dismissed the investigation as to the position of two of the aforementioned employees, while, on December 28, 2017, the competent Judge for the Preliminary Hearing (GUP) proceeded with the indictment of the remaining employee and the former employee, as well as the Issuer. The next hearing is scheduled on January 29, 2021. The Santobono hospital has joined the proceeding seeking damages against the Issuer and its employee. See "*Business—Legal Proceedings—Naples criminal proceeding.*"

Moreover, on September 23, 2020, in the context of a criminal investigation carried out by the Prosecutor of Varese in connection to certain listed crimes, including (*truffa aggravata*), fraud in public supplies (*frode in pubbliche forniture*) and false statement (*falso ideologico*) against, *inter alia*, the Chairman of the Issuer and the Issuer itself pursuant LD 231, the Issuer was notified of a preventive monetary seizure order issued by the competent Judge of the Preliminary Investigations (*GIP*) for approximately €58,549. However, on October 19, 2020, the Court of Review of Varese (*tribunale del riesame*), ordered the cancellation of the abovementioned seizure and ordered the restitution of the relevant sums. The investigation is still in a preliminary stage and, based on the present state of evidence, we are confident of a positive outcome of the investigation for us and our Chairman. We could be held liable pursuant to LD 231 because the alleged charges are included in the scope of application of LD 231 and therefore be exposed to the related administrative liability. See "*Business—Legal Proceedings—Varese 231 Investigation*."

Furthermore, in May 2019, a former employee of the Group was served with a formal notice concerning the conclusion of the preliminary investigation (*avviso di conclusione delle indagini preliminari*) which led to an indictment (*rinvio a giudizio*) for both the former employee and the Issuer in relation to an investigation opened by the Office of the Public Prosecutor before the Court of Alessandria in relation to two different work accidents involving two workers who suffered serious injuries. The competent Judge proceeded with the indictment for both the former employee and the Issuer pursuant to LD 231 and the next hearing is scheduled on May 27, 2021. We could be held liable pursuant to LD 231 because the alleged charges are included in the scope of application of LD 231 and therefore be exposed to the related administrative liability. See "*Business—Legal Proceedings—Other Proceedings concerning health and safety legislation and other investigations or proceedings pending against certain of our employees or former employees which could potentially trigger our liability under LD 231.*"

Moreover, in December 2017 and January 2018, two current employees and a former employee of the Issuer were served with a formal notice concerning the conclusion of the preliminary investigation (*avviso di conclusione delle indagini preliminari*) which led to an indictment (*rinvio a giudizio*) for two of the employees and a request for dismissal of the charges against the other in relation to an investigation opened by the Office of the Public Prosecutor before the Court of Rome with reference to our participation in the FM4 Tender alleging bid rigging (*turbativa d'asta*). The competent Judge for the Preliminary Hearing (GUP) proceeded with the indictment only against of one of the employees (since the other was acquitted) and the next hearing is scheduled on November 30, 2020. However, we cannot be held liable pursuant to LD 231 because the alleged charges fall outside of the application of such legislation *vis-à-vis* the Issuer. See

"*Business—Legal Proceedings—ANAC proceeding and criminal charges against an employee of the Issuer*."

In addition, in April 2019 the Public Prosecutor before the Court of Locri notified current and former officers of Servizi Ospedalieri with preliminary notices to appear for questioning within a preliminary investigation proceeding for conspiracy to commit abuse of office in their capacity as private individuals (*concorso esterno in abuso d'ufficio*) in the delivery of laundering services to the health unit (ASL) of Locri. In April 2020 the Public Prosecutor of Reggio Calabria (who, based on our understanding was deemed competent for this proceeding) requested an extension of the investigation phase. According to our preliminary review of the matter, we understand that the Public Prosecutor is investigating in order to assess, *inter alia*, whether the foregoing current and former officers of Servizi Ospedalieri committed the abovementioned breaches by providing services to the ASL of Locri in the absence of any contracts or any valid reasons for a prorogation of the expired contract or for its renewal. We cannot be held liable pursuant to LD 231 because the alleged charges fall outside of the application of such legislation *vis-à-vis* the Issuer. See "*Business—Legal Proceedings—Locri criminal investigation against former officers of Servizi Ospedalieri*."

A failure of our key information technology, inventory management and maintenance systems or processes, including the loss of capacity or the interruption of information technology hardware or infrastructure on which our systems rely, could have a material adverse effect on our ability to conduct our business.

We rely extensively on information technology, customer relationship management, inventory management and maintenance systems to conduct our activities and to support our service delivery. These systems and processes include, but are not limited to, ordering and managing stock from suppliers, creating and updating models to inform public tenders estimates and bids, distributing products to various locations, processing transactions, summarizing and reporting results of operations, complying with regulatory, legal or tax requirements, and other processes necessary to manage the business. We also provide IT services to customers, assisting them in running and monitoring systems that are critical to their operations. Because we believe our systems represent a significant competitive advantage, if such systems are damaged or cease to function properly, or if we are unable to provide IT services to our customers, our business may suffer. In addition, we rely on external providers for information technology hardware and infrastructure which may be interrupted. These interruptions could be caused by any number of events, ranging from catastrophic events to incidents such as power outages, human error and security breaches, and if we or our external providers do not effectively compensate on a timely basis, or if our employees knowledgeable about such systems are unavailable or cease to work for us, our operations could be disrupted. In addition, while we have implemented disaster recovery solutions and procedures for certain specific systems and redundancy in our data storage, we do not currently have in place a disaster recovery plan or system covering all existing systems and infrastructures. Failures in our systems could therefore reduce our revenue, adversely affect our reputation among our customers, compromise our competitive position or otherwise have a material adverse effect on our business, financial condition and results of operations.

Our reputation and business could be materially harmed as a result of, and we could be held liable, including criminally liable, for, data loss, data theft, unauthorized access or successful hacking.

Our business involves the receipt and storage of information relating to our customers and employees. The techniques used to obtain unauthorized access, disable or degrade service or sabotage systems change frequently and are often not recognized until launched against a target. In addition, the hardware, software or applications we use may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. We may be unable to anticipate these techniques or detect these defects, or to implement effective and efficient countermeasures in a timely manner. We operate in an environment increasingly prone to cybersecurity risks. Cybersecurity threats may include gaining unauthorized access to our systems or inserting computer viruses or malicious software in our systems to misappropriate

consumer data and other sensitive information, corrupt our data or disrupt our operations. New and sophisticated malware is constantly being developed and it is possible that systems are not updated on time. Unauthorized access may also be gained through traditional means such as the theft of laptop computers, data devices and mobile phones and intelligence gathering by employees with access. Further, our employees or other persons may have unauthorized or authorized access to our systems or take actions that affect our networks in an inconsistent manner with our policies or otherwise adversely affect our ability to adequately process internal information. As a result, we need to continue to advance our capacity to identify and detect technical threats and vulnerabilities and improve our ability to react to incidents. This includes the need to strengthen security controls in the supply chain as well as to place increased focus on security measures adopted by our key partners and other third parties.

If unauthorized third parties manage to gain access to any of our information technology systems, or if such systems are brought down, unauthorized third parties may be able to misappropriate confidential information, cause interruptions in our operations, access our services without paying, damage our computers or otherwise damage our reputation and business.

The cost and operational consequences of responding to breaches and implementing remediation measures could be significant. We also experience and respond to cybersecurity threats from time to time. As our business and the cybersecurity landscape evolve, we may also find it necessary to make significant further investments to protect data and infrastructure. However, there can be no assurance that such investments will prevent future cyberattacks or other threats from occurring which may result in material adverse effects on our business, and operations. Furthermore, we may be held liable for the loss, release or inappropriate modification or storage conditions of customer or other data which are stored on our systems and database. In such circumstances, we could be held liable or be subject to litigation, penalties (including the payment of damages and interest) or adverse publicity that could have a material adverse impact on our reputation, business, financial condition and results of operations.

Our business is exposed to fluctuations in costs related to fuel and other transportation inputs and other commodity prices.

We operate our business on a national scale and many of the contracts we have concluded require us to deliver services or make interventions at sites scattered around Italy or the other countries in which we operate. Though our contracts for the delivery of heating fuel contain pass-through mechanisms, our business is still exposed to various fuel and other transportation inputs and other commodity prices, especially in our Laundering and Sterilization Segment. We rely on frequent restocking and maintenance of supplies (i.e. linens, fabrics and cleaning supplies), equipment and machines at a multitude of locations. As a result, fluctuations in costs related to fuel, certain fabrics and other transportation inputs can adversely affect our margins. There can be no assurance that we will be successful in passing on cost increases to customers without losses in revenue or gross margin or at all.

Our business requires capital expenditures which may divert significant cash flow from other investments or uses, including debt servicing.

Our activities require capital expenditures (defined as the "purchase of property, plant and equipment," "property, plant and equipment under lease" and "other intangible assets"). Our capital expenditures for the Facility Management Segment were €9.9 million, €13.8 million, €15.4 million and €14.4 million for the years ended December 31, 2017, 2018 and 2019 and for the twelve months ended September 30, 2020, respectively. For the years ended December 31, 2017, 2018 and 2019 and for the twelve months ended September 30, 2020, our capital expenditures for the Laundering and Sterilization Segment (related to maintenance, upgrade of existing equipment, purchases of new equipment and purchases of linen) were €21.6 million, €18.2 million, €18.7 million and €16.3 million, respectively. We may find it necessary or advisable to increase our capital expenditures in the event we make acquisitions or further expand our operations, or as a result of factors beyond our control, such as changes in EU, national or local governmental requirements. We can provide no assurance that our capital expenditure will not

increase, and such increases may divert significant cash flows from other investments or uses, including debt servicing, which could have a material adverse effect on our business, financial condition and results of operations.

We have a significant amount of goodwill and if our goodwill becomes impaired, we may be required to record a significant charge to earnings.

We have a significant amount of goodwill. As of September 30, 2020, we had goodwill of €390.0 million, which represented 33.0% of our total assets as of such date. Goodwill is subject to impairment testing at least annually, or more frequently if there are signs of potential impairment in the carrying amounts. Fair value is determined based on the discounted cash flows from our cash-generating units based on an estimate of expected cash flows from such cash-generating unit. See "*Management's discussion and analysis of financial condition and results of operations—Critical accounting policies—Impairment of goodwill and other assets*." Changes in estimates of future cash flows caused by items such as unforeseen events or changes in market conditions could negatively affect our reporting unit's fair value and result in an impairment charge. Factors that could cause us to change our estimates of future cash flows include a prolonged economic crisis, successful efforts by our competitors to gain market share in our core markets, our inability to compete effectively with other operators or our inability to maintain price competitiveness. An impairment of a significant portion of our goodwill would require us to record a correspondingly significant charge in our income statement which could have a material adverse effect our business, financial condition and results of operations.

Our insurance is limited and subject to exclusions, and depends on the ongoing viability of our insurers; we may also incur liabilities or losses that are not covered by insurance.

We undertake a significant amount of services and activities across multiple locations. We currently have in place a number of different insurance policies that cover property damage, environmental liabilities and losses due to the interruption of our business in accordance with market practice in the industry and subject to customary conditions. Our other fixed assets, such as machines used in our Laundering and Sterilization Segment and our office equipment used for Group administration, are protected by a bundled industrial insurance policy (damages from fire, catastrophes, theft, flood and severe weather) that includes a business interruption insurance when business interruption is caused by an insured property damage.

We believe that our insurance coverage is adequate to cover the risk of loss resulting from any damage to our property. However, the insurance policies are subject to limits and exclusions. Furthermore, we do not have insurance coverage for all interruptions as a result of operational risks because such risks cannot be insured or can only be insured on unreasonable terms. There can be no assurance that our insurance program would be sufficient to cover all potential losses, that we will be able to obtain sufficient levels of property insurance coverage in the future or that such coverage will be available on terms acceptable to us. In addition, recent turmoil and volatility in the global financial markets, as well as the ongoing effects of the COVID-19 outbreak, may adversely affect the insurance market. This may result in some of the insurers in our insurance portfolio failing and being unable to pay their share of claims as well as in an increase in the insurance costs.

Moreover, certain types of losses, such as those resulting from earthquakes, floods, hurricanes, environmental hazards or terrorist acts, may be uninsurable or not economically insurable. In addition, there is no protection against the risk that customers will fail to pay in full or on time. We will use our discretion in determining amounts, coverage limits, deductibility provisions and the appropriateness of self-insuring with a view to maintaining appropriate insurance coverage at a reasonable cost and on suitable terms. If we suffer an uninsured or underinsured loss, we could lose all or a portion of the capital we have invested in a business or property as well as the anticipated future revenue from such business or property. Such uninsured or underinsured losses could harm our business, financial condition and results of operations. See "*—The COVID-19 pandemic has impacted our operations and this or other future pandemics could impact our business, financial condition and results of operations*."

We may face labor disruptions that could interfere with our operations and have a material adverse effect on our business, financial condition and results of operations.

As of December 31, 2019, we employed approximately 17,700 full-time equivalents in Italy, approximately 9,805 full-time equivalents in Poland via the Naprzód Group with the remainder in our international markets, including Turkey, and France. We are involved in certain labor disputes related to damages, dismissals (including collective dismissals) and wage disputes. Applicable law and sectoral collective bargaining arrangements, including the CCNL Multiservizi in Italy, regulate our relations with our employees and our ability to manage, and in certain cases, discontinue our employment relationships. See "*—Our ability to manage our labor costs is primarily dependent upon provisions of the collective bargaining agreement applicable to cleaning and facility management that allow the transfer of employees to and from the Group upon the awarding or loss of a contract for cleaning and/or facility management, as applicable*."

In addition, we are required to consult and seek the advice of our employee works councils with respect to a broad range of matters, which could prevent or delay the completion of certain corporate transactions (such as the transfer of undertakings or lay-off procedures). Consultations with works councils, strikes, similar industrial actions or other disturbances by our workforce, particularly where there are union delegates, could disrupt our operations, result in a loss of reputation, increased wages and benefits or otherwise have a material adverse effect on our business, results of operations and financial condition.

Although management believes that its relationship with employees, work councils and trade unions is generally good, there can be no assurance that there will not be labor disputes and/or adverse employee relations in the future. Disruptions of business operations due to strikes or similar measures by our employees or the employees or any of our significant suppliers could have a material adverse effect on our business, financial condition and results of operations. See also "*—We rely on employee leasing arrangements for a number of our employees which could be re-characterized by employment tribunals or tax authorities, resulting in substantial liabilities*," "*—We are subject to extensive regulatory requirements*" and "*Business—Employees and labor arrangements*."

Our operations could be adversely affected if we are unable to retain key employees and/or key members of our management.

We depend on certain key executives and personnel for our success. Our performance and our ability to implement our strategy depend on the efforts and abilities of our executive officers and key employees. Our operations could be adversely affected if, for any reason, a number of these officers or key employees do not remain with us.

We are subject to risks related to legal and arbitration proceedings in the normal course of our business and otherwise as well as risks related to public contracts litigation.

We are subject to the risk of legal claims and proceedings (including labor disputes) and regulatory enforcement actions in the ordinary course of our business and otherwise. In addition, public tenders we win from PSEs and healthcare customers may be challenged by third-party competitors, and the resultant litigation in administrative courts could be protracted and cause delay to our projects. From time to time, we have been party as defendant or plaintiff in various claims and lawsuits incidental to the ordinary course of our business, such as those related to labor issues, restitution of retainers, and challenges to public tenders won or lost. As of September 30, 2020, our provisions for litigation risks (including tax litigation) amounted to €105.9 million.

The results of pending or future legal proceedings are inherently difficult to predict and we can provide no assurance that we will not incur losses in connection with current or future legal or regulatory proceedings (including tax audits) or actions that exceed any provision we may set aside in respect of such proceedings or actions or that exceed any insurance coverage available, which may have a material adverse effect on our business, financial condition and results of operations. See "*Business—Legal Proceedings*."

We are from time to time involved in various tax and social security audits and investigations and we may face tax and social security liabilities in the future.

We are from time to time subject to tax and social security audits and investigations by tax, social security and other public authorities in countries where we operate, which may include, without limitation, investigations with respect to the corporate and indirect tax regime of our transactions and value-added tax classification and social security contributions. For example, we were served a report of findings (*processo verbale di constatazione*) from the Italian Tax Police of Bologna in 2019, claiming €1.7 million of unpaid taxes, which at the date of this Offering Memorandum was resolved through payment of a fine and entry into a settlement agreement (*ravvedimento operoso e adesione*). Adverse developments in these laws or regulations, or any change in position by the relevant authorities regarding the application, administration or interpretation of these laws or regulations, could have a material adverse effect on our business, financial condition and results of operations or on our ability to service or otherwise make payments on the Notes and our other indebtedness. In addition, the relevant authorities may disagree with the positions we have taken or intend to take regarding the tax and social security treatment or characterization of any of our transactions. It may be necessary to defend our tax and social security filings in court if a reasonable settlement cannot be reached with the relevant authorities and such ensuing litigation could be costly and distract management from running our business. Audits and investigations by the competent authorities may generate negative publicity which could harm our reputation with customers, suppliers and counterparties. The financial impact of any tax or social security reassessment in connection with our business could have a material adverse effect on our business, financial condition and results of operations. In addition, investigations and convictions for certain of such breaches may render us ineligible to maintain our existing contracts and/or participate in current and future public tenders, which could have an adverse effect on our business, results of operations and financial condition.

We rely on certifications by industry standards-setting bodies.

We are required by the applicable Italian and other applicable regulatory framework to obtain certain mandatory certifications and comply with professional licensing requirements. In addition, some of our customers have required us to obtain one or more internationally recognized certifications, such as the UNI EN ISO 14001 and EMAS certifications for our activities, or we do on a voluntary basis because we believe these certifications provide advantages to our internal or quality controls and the terms of certain public tenders confer advantages on bidders who are so certified. We incur significant costs and expenses, including any necessary upgrades to our equipment and fixed assets, associated with maintaining these certifications. If we fail to maintain any of our certifications, our business may be harmed because our customers that require them may cease contracting our products or services which in turn could have a material adverse effect on our business, financial condition and results of operations.

We provide transportation services to patients and storage, management and transportation of drugs services which may expose us to liabilities.

We provide, among other services, transportation services to patients between medical facilities and outpatient centers and between other locations. Medical and health and safety risks are inherent in such services. A medical or health and safety incident could be particularly serious, as the patients are recovering from surgery, ill or otherwise vulnerable. Our activities are also exposed to significant medical risks relating to the storage, management and transport of drugs for residents and patients, or residents and patients being harmed by one or more of our employees and other patients, either intentionally, through negligence, or by accident. Other health and safety risks include road and weather hazards. If any of the above medical or health and safety risks were to materialize, we may be held liable, have to incur certain costs, including fines that are not covered by our insurance policies, which could have a material adverse effect on our business, financial condition and results of operations.

We are exposed to risks associated with food safety and the food supply chain, which may subject us to liability claims, damage our reputation or affect our relationship with customers.

One of Naprzód Group's activities is the preparation and service of food in connection with the provision of outsourced services (contract catering). As a result, we are exposed to damage resulting from actual or perceived issues regarding the safety or quality of the food prepared or provided by us. Claims of illness or injury relating to contaminated, spoiled, mislabeled or adulterated food can require costly measures to investigate and remediate to, such as withdrawing products from sale or destroying supplies and inventory that are unfit for consumption.

Naprzód Group's catering activity relies on strict adherence by employees to standards for food handling and restaurant operations. Claims related to food quality or food handling are common in the food service industry. If we are found negligent in food safety, we may be exposed to significant liability, which could have material adverse effect on our business, financial condition and results of operations.

Even if any such claims are without merit, any negative publicity as a result of allegations of unsafe food service can have a significant impact on our reputation and could negatively impact Naprzód Group's ability to maintain existing or win new catering contracts.

Furthermore, catering exposes us to risks related to the food industry in general, such as widespread contamination, nutritional and other health-related concerns. From time to time, food suppliers are forced to recall products and as a result we may have to remove certain products from our inventory and source inventory from other providers. Such events can be disruptive to our business.

If any of the above were to occur to a significant degree, it could have a material adverse effect on our business, financial condition and results of operations.

If we are found to have violated laws protecting the privacy and confidentiality of patient health information, we could be subject to civil or criminal penalties, which could increase our liabilities and harm our reputation or our business.

As part of our business, we process and come into possession of patient health information. EU and national laws including the EU General Data Protection Regulation 2016/679 (the "**GDPR**") and the Italian Privacy Code (Legislative Decree No. 196/2003, as amended by Legislative Decree No. 101/2018, which adapted applicable Italian rules to GDPR), regulate the use and handling of such information and if we or any outsourced third-party providers violate the privacy or confidentiality of patient health information, we could be subject to administrative, civil or criminal penalties. We have implemented safeguards to protect the integrity of our data systems, monitor the activities of any outsourced third-party providers and we have trained the relevant staff with respect to procedures we deem adequate. However, there can be no assurance that we will be successful in protecting the privacy and confidentiality of patient health information, including as a result of a breach of any applicable laws or regulation by third-party providers to which we outsource certain activities including processing, handling and storing patient health or other confidential information. If we breach our obligations under the relevant laws, including the GDPR, and any relevant implementing laws and regulations, the resultant liabilities or harm to our reputation may have a material adverse effect on our business, financial condition and results of operations.

If we fail to maintain an effective system of internal controls, we may not be able to accurately report our financial results or prevent fraud.

Effective internal controls are necessary for us to provide reliable financial reports and effectively prevent fraud. Any inability to provide reliable financial reports or prevent fraud could harm our business, including through harm to our reputation. This risk is increased as a result of our increased acquisition activity, as the entities that we acquire may not have internal control procedures of an effectiveness equivalent to ours. If we fail to maintain, or fail to cause the companies we acquire to adopt and maintain, adequate internal controls our financial statements may not accurately reflect our financial condition.

Risks related to our presentation of financial information

As a result of the Merger between CMF and the Issuer's predecessor on July 1, 2018, the interest expense recorded for the year ended December 31, 2018 may not present a complete picture of our cost of debt and may not be comparable with prior and subsequent years.

On July 1, 2018, CMF completed the Merger by incorporation into the Issuer in accordance with Article 2501-*bis* of the Italian Civil Code, as a result of which the Issuer became the issuer of the indebtedness under the CMF Existing Notes. As the Merger's statutory, accounting and tax effects were applicable as of July 1, 2018, (i) the CMF Existing Notes issued on July 7, 2017 are not reflected on the Issuer's statement of financial position as of December 31, 2017 (although a liability of €175.9 million is reflected under the proceeds loan from CMF to MFM, representing the portion of the net proceeds of the CMF Existing Notes on-lent to MFM to satisfy and discharge the MFM Notes on October 13, 2017), (ii) the financial expenses line item to the Issuer's consolidated income statement for the years ended December 31, 2017 and 2018 do not reflect the full interest charges associated with the CMF Existing Notes (rather such line item prior to July 1, 2018 reflects the interest expenses associated with the proceeds loan from CMF to MFM which was in the amount of €175.9 million and, prior to October 13, 2017, the interest expense associated with the MFM Notes) and (iii) the consolidated statement of cash flows for the years ended December 31, 2017 and 2018 do not fully reflect the cash flow used in financing activities associated with the CMF Existing Notes (rather such line item prior to July 1, 2018 reflects the financing cash flow associated with the proceeds loan from CMF to MFM and, prior to October 13, 2017, the financing cash flow associated with the MFM Notes and certain other indebtedness of MFM repaid with a portion of the CMF Existing Notes).

To facilitate the review of this Offering Memorandum by investors, we present in this Offering Memorandum under "*Management's discussion and analysis of financial condition and results of operations*" and other sections certain unaudited *pro forma* capsule information regarding interest expense associated with the CMF Existing Notes prepared for illustrative purposes only which is not intended to represent what our actual interest expense would have been had the Merger and related financing transactions occurred on January 1, 2018 nor does it purport to project our results of operation at any future date. Certain unaudited *pro forma* capsule information regarding interest expense associated with the CMF Existing Notes was prepared based on certain assumptions and estimates that we believe are reasonable and investors are cautioned against placing undue reliance thereon.

Risks related to our capital structure

The Issuer will be partially dependent on payments from its subsidiaries in order to make payments on the Notes and the Notes will be structurally subordinated to the liabilities of the Issuer's subsidiaries that do not guarantee the Notes.

The Issuer conducts a portion of its operations through operating subsidiaries and therefore will be dependent in part upon the cash flow from its subsidiaries in the form of dividends, intercompany loans or otherwise to make payments on the Notes. The Issuer's operating subsidiaries may not generate cash flow sufficient to enable it to meet its payment obligations. In addition, the Issuer's subsidiaries may be restricted from providing funds to Issuer under some circumstances. These circumstances could include, among others, existing and future contractual restrictions, including restrictions in any indebtedness at the subsidiary level, that affect the ability of the Issuer's subsidiaries to pay dividends or make other payments to the Issuer. In addition, applicable tax laws may also subject such payments to taxation.

The Notes will be structurally subordinated to the creditors (including trade creditors) and preference shareholders (if any) of the Issuer's non-Guarantor subsidiaries.

The interests of our shareholder may be inconsistent with the interests of the holders of the Notes.

MSC owns 100% of the issued and outstanding share capital of the Issuer. The interests of MSC and/or any other principal shareholder in the future could conflict with each other and/or the

interests of the holders of the Notes, particularly if we encounter financial difficulties or are unable to pay our liabilities when due. Any principal shareholder could also have an interest in pursuing acquisitions, divestitures, financings, dividend distributions or other transactions that, in its judgment could enhance its investment, although such transactions might involve risks to the holders of the Notes. In addition, since we engage in a number of business transactions with MSC, a default by MSC or a dispute between MSC and any principal shareholder in the future could have a material adverse effect on our business, financial condition and results of operations.

We are exposed to risks related to Group companies that include non-controlling shareholders and our investments with third parties.

We conduct our business through operating subsidiaries that in some cases include non-controlling shareholders and investments with third parties. While we generally consider entering into such partnerships or investments to be positive developments, various disadvantages may result from the participation of non-controlling shareholders whose interests may not always be aligned with ours. Some of these disadvantages may, among other things, result in our inability to implement organizational efficiencies and transfer cash and assets from one subsidiary to another in order to allocate assets most effectively. In addition, we may have to make payments in connection with put options and earn-out agreements with non-controlling shareholders. See Note 13 of the Issuer's Unaudited Interim Condensed Consolidated Financial Statements.

The claims of the holders of the Notes will be effectively subordinated to the rights of our future secured creditors to the extent of the value of the assets securing such indebtedness which does not constitute Collateral.

On or about the Issue Date, subject to the Agreed Security Principles, the Notes will be secured by first ranking pledges over the applicable Issue Date Collateral and, no later than 30 days following receipt of the Italian Golden Power Clearance, the Notes will be secured by first-ranking security interests over the applicable Guarantor Collateral. The Indenture will also provide for a negative pledge but will allow us and our restricted subsidiaries, subject to specified limitations, to incur other secured indebtedness that will be effectively senior to the Notes and the Notes Guarantee to the extent of the value of the assets (other than the Collateral) that secure that indebtedness. In the event of any distribution or payment of our assets in any foreclosure, dissolution, winding-up, liquidation, administration, reorganization, or other insolvency or bankruptcy proceeding, the proceeds from the sale of assets (other than the Collateral) securing any such secured indebtedness will be available to pay obligations on the Notes only after all such secured indebtedness (including claims preferred by operation of law) has been paid in full. As a result, holders of Notes may receive less, ratably, than holders of such secured indebtedness. As of September 30, 2020, after giving effect to the Refinancing, other than the Notes offered hereby of €350.0 million, we would have had €19.7 million of indebtedness outstanding which was secured over assets other than the Collateral, mainly consisting of financial leases and recourse factoring.

We may be subject to a deferral or to a limitation of the deduction of interest expense, including interest expense in respect of the Notes in Italy.

Current tax legislation in Italy (Article 96 of Presidential Decree No. 917 of December 22, 1986, as recently amended by Legislative Decree No. 142 of November 29, 2018) allows for the full tax deductibility of interest expense incurred by a company in each fiscal year up to the amount of the interest income of the same fiscal year and the interest income carried forward from previous fiscal years. A further deduction of interest expenses in excess of this amount is allowed up to a threshold of 30% of the EBITDA (i.e. *risultato operativo lordo della gestione caratteristica*) ("**ROL**") of the same fiscal year as well as 30% of ROL carried forward from previous fiscal years. The ROL is calculated on the basis of the value of the items of the company's profit and loss account, which are comprised of the operating gross revenues and expenses (excluding depreciation of tangible and intangible assets, as well as leasing fees), as determined through the application of the tax rules concerning the determination of the corporate income taxable

base. Interest expenses that are not deductible in a given fiscal year because they exceed the abovementioned thresholds may be indefinitely carried forward and deducted in the following fiscal years, up to the amount of the interest income and ROL capacity not used for interest expenses deductibility purposes in those following fiscal years. Any excess of interest income not utilized in a fiscal year (where interest expense is lower than interest income) can be carried forward indefinitely in the following fiscal years. Any excess of 30% ROL not used for the deduction of the amount of interest expense that exceeds interest income in a fiscal year can be carried forward, increasing the amount of ROL capacity for the following five fiscal years.

In the case of an Italian tax group (*consolidato fiscale nazionale*), interest expenses not deducted by an entity within the tax group due to lack of interest income or ROL can be deducted at the tax group level, within the limit of the excess interest income and excess of ROL of the other companies within the tax group.

Our ability to deduct interest expense in respect of the Notes and other indebtedness incurred by companies within the Group will therefore depend on the ROL and our ability to continue any previously existing tax group arrangement or on applying for a new tax group. Any delay in the effectiveness of a tax group will impact the ability to deduct interest expense. The failure to achieve such a tax group could adversely impact our ability to use ROL to offset interest expense, including, *inter alia,* in respect of any borrowings under the Revolving Credit Facility.

In addition, there can be no assurance that in the case of a tax audit, the relevant tax authorities would not try to challenge the deductibility of interest expenses arising in connection with the component of any financing used, in whole or in part, to refinance an outstanding loan or debt, when the terms and conditions of the refinancing transaction appear less favorable than the ones of the previous financing transaction. In particular, in such circumstances, the relevant tax authorities could argue that the interest expenses arising from such financing do not relate to the business of the borrowing entity (as the relevant transaction is deemed to be "anti-economic" and as such not compliant with the "inherence" principle set out under Italian tax law).

Moreover, any future changes in Italian tax laws or in their interpretation, including any future limitation on the use of the ROL of the Issuer and its subsidiaries or the tax treatment of interest expense arising from any indebtedness, including the Notes, the failure to satisfy the applicable legal requirements relating to the deductibility of interest expense or the application by Italian tax authorities of certain existing interpretations of Italian tax law may result in our inability to fully deduct our interest expense, which may have an adverse impact on our financial condition.

Furthermore, if the Italian tax authorities were to successfully challenge the tax treatment or characterization of any of the transactions performed or of our indebtedness, including the Notes or the use of proceeds from the Offering, including on the basis of anti-abusive criteria, we may be unable to fully deduct our interest expense and could be subject to significant penalties, or other consequences that could have a material adverse effect on our financial condition and results of operations or on our ability to service or otherwise make payments on the Notes and our other indebtedness. For more information, see "*—Risks related to our business—We are from time to time involved in various tax and social security audits and investigations and we may face tax and social security liabilities in the future*."

Risks related to our indebtedness

Our significant leverage may make it difficult for us to service our debt, including the Notes, and operate our businesses.

Upon completion of the Refinancing, we will continue to have a substantial amount of outstanding debt with significant debt service requirements. As of September 30, 2020, on an as adjusted basis after giving effect to the Refinancing, our consolidated Net Debt as Adjusted would have been €357.5 million and expect that we would have had up to €75.0 million

available for borrowing under our Revolving Credit Facility. Our significant leverage could have important consequences for you as a holder of the Notes, including:

- making it more difficult for the Issuer and the Guarantor to satisfy their obligations with respect to the Notes, the Notes Guarantee and their other debt and liabilities;
- requiring us to dedicate a substantial portion of our cash flow from operations to payments on our debt, reducing the availability of our cash flow to fund internal growth through capital expenditures and for other general corporate purposes;
- increasing our vulnerability to economic downturns in our industry;
- placing us at a competitive disadvantage compared to our competitors that have less debt in relation to cash flow;
- limiting our flexibility in planning for, or reacting to, changes in our business and our industry;
- restricting us from pursuing acquisitions, or exploiting certain business opportunities;
- limiting, among other things, our ability to borrow additional funds or raise equity capital in the future and increasing the costs of such additional financings; and
- subjecting us to a greater risk of non-compliance with financial and other restrictive covenants in its debt facilities.

The Group may not have enough cash available to service its debt.

Our ability to make scheduled payments on the Notes and to meet our other debt service obligations or to refinance our debt depends on our future operating and financial performance, which will be affected by our ability to successfully implement our business strategies as well as general economic, financial, competitive, regulatory, technical and other factors, including the other factors discussed in this "*Risk factors*" section, that are beyond our control. If we cannot generate sufficient cash to meet our debt service requirements, we may, among other things, need to refinance all or a portion of our debt, including the Notes, obtain additional financing, delay planned capital expenditure or sell material assets. We cannot assure you that we will be able to refinance any of our debt, including the Notes, on commercially reasonable terms, if at all. If we are not able to refinance any of our debt, obtain additional financing or sell assets on commercially reasonable terms or at all, we may not be able to satisfy our obligations with respect to our debt, including the Notes. In that event, borrowings under other debt agreements or instruments that contain cross-default or cross-acceleration provisions may become payable on demand and we may not have sufficient funds to repay all of our debts, including the Notes.

Despite our current significant leverage, we may be able to incur more debt in the future, which could further exacerbate the risks of the Group's leverage. This additional debt may be structurally senior or be secured over assets that do not secure the Notes.

We have incurred significant amounts of debt and may incur more debt in the future, including secured debt. Our Revolving Credit Facility provides for commitments of up to €75.0 million and on the Issue Date, it is expect that the Revolving Credit Facility will be undrawn. In addition, we may incur substantial additional debt in the future. The terms of the Indenture will limit, but not prohibit us from incurring additional debt, including under the Revolving Credit Facility, or by a non-Guarantor or debt that is secured on assets of the Group that do not constitute Collateral, which debt would be satisfied ahead of the Notes and the Notes Guarantee. The incurrence of additional debt would increase the leverage-related risks described in this Offering Memorandum.

We are subject to restrictive covenants under the Revolving Credit Facility and the Indenture which could impair our ability to run our business.

Restrictive covenants under the Revolving Credit Facility and the Indenture may restrict our ability to operate our business. Our failure to comply with these covenants, including as a result

of events beyond our control, could result in an event of default that could materially and adversely affect our business, financial condition and results of operations.

The Revolving Credit Facility and the Indenture will contain negative covenants restricting, among other things, our ability to:

- make certain loans or investments;
- incur indebtedness or issue preferred stock or guarantees;
- create security;
- sell, lease, transfer or dispose of assets;
- merge or consolidate with other companies;
- transfer all or substantially all of our assets;
- make a substantial change to the general nature of our business;
- pay dividends and make other restricted payments;
- create or incur liens;
- agree to limitations on the ability of our subsidiaries to pay dividends or make other distributions;
- engage in sales of assets and subsidiary stock; and
- enter into transactions with affiliates.

The Revolving Credit Facility will also contain a financial covenant that will be tested on a quarterly basis and on any utilization date, provided the aggregate principal amount of outstanding utilizations made in cash (including in relation to letters of credit) under the Revolving Credit Facility exceeds a certain percentage amount of the total commitments under the Revolving Credit Facility. The restrictions contained in the Revolving Credit Facility and the Indenture could affect our ability to operate our business and may limit our ability to react to market conditions or take advantage of potential business opportunities as they arise. For example, such restrictions could adversely affect our ability to finance our operations, make strategic acquisitions, investments or alliances, restructure our organization or finance our capital needs. Additionally, our ability to comply with these covenants and restrictions may be affected by events beyond our control. These include prevailing economic, financial and industry conditions. If we breach any of these covenants or restrictions, we could be in default under the Revolving Credit Facility and/or the Indenture.

If there were an event of default under any of our debt instruments that is not cured or waived, the holders of the defaulted debt could terminate their commitments thereunder and cause all amounts outstanding with respect to such indebtedness to be due and payable immediately, which in turn could result in cross defaults under our other debt instruments, including the Notes. Any such actions could force us into bankruptcy or liquidation, and we may not be able to repay our obligations under the Notes in such an event.

Certain of our debt payment obligations are subject to fluctuations in interest rates.

As of September 30, 2020, on an as adjusted basis after giving effect to the Refinancing, our Net Debt as Adjusted was approximately €357.5 million. Other than the Notes and our Revolving Credit Facility which is expected to be undrawn on the Issue Date, our main sources of financing were: (i) bilateral facilities, (ii) recourse and non-recourse factoring lines and (iii) operating and finance leases. See "*Management's discussion and analysis of financial condition and results of operations—Liquidity and capital resources*" and "*Description of certain financing arrangements*." The Revolving Credit Facility bears a floating interest rate based on EURIBOR plus a certain margin. If significant fluctuations of floating interest rates occur and cannot be adequately covered through hedging transactions, our interest obligations could become greater, which could adversely affect our business, financial condition and results of operations.

Risks related to the Notes, the Notes Guarantee and the Collateral

The grant of the Guarantor Collateral is subject to the Italian Golden Power Clearance and the outcome of such process is uncertain.

As soon as reasonably practicable and no later than 10 business days following the Issue Date, we will submit an application with the Italian Golden Power Authority pursuant to the Italian Golden Power Legislation in order for the Guarantor Collateral to be granted. No later than 30 days following receipt of the Italian Golden Power Clearance, the Notes will be secured by first-ranking security interests over all of the shares of the Guarantor (the "**Guarantor Collateral**", and (as and when granted) together with the Issue Date Collateral, the "**Collateral**"), in each case subject to the Agreed Security Principles. Unless the Italian Golden Power Authority (as defined herein) specifically opposes to the grant of the Notes Guarantee in its response to our application to receive the Italian Golden Power Clearance with respect to the Guarantor Collateral, the Notes will be guaranteed, on an unsecured basis, subject to the Agreed Security Principles (the "Notes Guarantee"), on a senior basis by Servizi Ospedalieri S.p.A., no later that 30 days following such answer from the Italian Golden Power Authority. However, obtaining the Italian Golden Power Clearance pursuant to the Italian Golden Power Legislation is subject to inherent uncertainties and there is no assurance that it will be obtained.

Accordingly, we may not be permitted to provide the Guarantor Collateral in a timely fashion, without remedies or undertakings, or at all. Our inability to provide the Notes Guarantee and/or the Guarantor Collateral as a result of the above circumstances will not result in an "event of default" under the Indenture. Furthermore, the Italian Golden Power Legislation (including clearances regime thereof) may continue to be applicable after the Refinancing in the event that the relevant entity is involved in any transaction, act or resolution falling within the scope of the Italian Golden Power Legislation, including any transfers of the Guarantor's shares, including upon enforcement of relevant share pledge. See "*—The recovery from the enforcement of the share pledges forming part of the Collateral may be complicated, involve long recovery times and a low recovery rate*."

Creditors under the Revolving Credit Facility and certain future hedging obligations, if any, and certain debt that we incur in the future may be entitled to be repaid with the proceeds of the Collateral securing the Notes in priority to the Notes.

The terms of the Intercreditor Agreement include requirements that proceeds from enforcement of the Collateral securing the Notes must first be applied in satisfaction in full of obligations under the Revolving Credit Facility and under certain future hedging obligations and certain other indebtedness permitted under the Indenture, if any, and only thereafter to repay the obligations of the Issuer and the Guarantor under the Notes and the Notes Guarantee. The Revolving Credit Facility will also be secured by a special lien (*privilegio speciale*) granted by the Issuer over certain of its present and future movable assets in accordance with Article 46 of the Italian Banking Act and such collateral will not be available to secure the Notes pursuant to applicable Italian law and will be limited in amount to the obligations of the Issuer as borrower under the Revolving Credit Facility from time to time. As any proceeds realized from the enforcement of the *privilegio speciale* will likely be insufficient to repay amounts under the Revolving Credit Facility, in the event of a foreclosure of the Collateral, you may not be able to recover on such Collateral if the then outstanding claims under the Revolving Credit Facility and such amount in respect of such future hedging obligations and any other "super-priority" indebtedness are greater than the proceeds realized. The Indenture and the Intercreditor Agreement will permit, under certain conditions, additional "super priority debt" to be incurred and "super priority" future hedging obligations. As such, in the event of enforcement of the Collateral securing the Notes, you may not be able to recover on the Collateral if the then-outstanding liabilities under such "super priority" debt, including the Revolving Credit Facility and certain future hedging obligations, if any, are greater than the proceeds realized in the event of enforcement of the Collateral securing the Notes.

Holders of the Notes may not control certain decisions regarding the Collateral.

To the extent permitted under applicable law, and subject to the Agreed Security Principles, the Notes will be secured on a first-ranking basis by substantially the same rights, property and assets securing the obligations under the Revolving Credit Facility (other than the special lien (*privilegio speciale*) which will only secure the Revolving Credit Facility). In addition, subject to the Agreed Security Principles, no later than 30 days following receipt of the Italian Golden Power Clearance, the Notes will be secured by the Guarantor Collateral. Furthermore, under the terms of the Indenture, we will be permitted to incur significant additional indebtedness and other obligations that may be secured by the same Collateral.

Pursuant to the Intercreditor Agreement, a common security agent will serve as the Security Agent for the secured parties under the Revolving Credit Facility, the Notes, the hedging arrangements and certain other permitted future indebtedness (if any), respectively, with regard to the shared Collateral (as applicable). The Intercreditor Agreement will provide that the Security Agent will, subject to certain limited exceptions, act to enforce the security interests in the Collateral and take instructions from the relevant secured creditors in respect of the Collateral only at the direction of an "instructing group."

Disputes may occur between the holders of the Notes and creditors under our Revolving Credit Facility, counterparties to certain hedging arrangements, if any, and/or holders of any permitted *pari passu* secured indebtedness as to whether the Security Agent is pursuing enforcement remedies and strategies with respect to the Collateral securing such obligations in a manner which is consistent with the agreed security enforcement principles. In such an event, the holders of the Notes will be required to consult with the Security Agent for a period of 15 days with a view to agreeing the manner of enforcement, and following such consultation the holder of the Notes will be bound by any decisions of the relevant instructing group, which may result in enforcement action in respect of the relevant Collateral, whether or not such action is approved by the holders of the Notes or may be adverse to such holders of Notes. The creditors under the Revolving Credit Facility, counterparties to certain hedging arrangements, if any, or the holders of any permitted *pari passu* secured indebtedness may have interests that are different from the interest of holders of the Notes and they may elect to pursue their remedies under the relevant Security Documents at a time when it would otherwise be disadvantageous for the holders of the Notes to do so.

Other creditors not party to the Intercreditor Agreement could commence enforcement action against the Issuer or one or more of its subsidiaries or its shareholders during the consultation period, the Issuer or one or more of its subsidiaries or its shareholders could seek protection under applicable bankruptcy laws, or the value of certain Collateral could otherwise be impaired or reduced in value. In addition, if we incur substantial additional indebtedness which may be secured on the Collateral, the holders of the Notes may not comprise the requisite majority senior secured creditors for the purposes of instructing the Security Agent. Further, if the super senior creditors have not been repaid in full within six months of the date on which the group of creditors that wish to instruct the Security Agent to commence enforcement in respect of the Collateral deliver a copy of the proposed instructions to the Security Agent and the creditor representatives for (as applicable) the holders of the Notes and creditors under our Revolving Credit Facility, counterparties to certain hedging arrangements, if any, and/or holders of any permitted *pari passu* secured indebtedness, then control of the enforcement proceedings will shift to the majority super senior creditors.

The holders of the Notes will also have no separate right to enforce the Collateral securing the Notes. In addition, the holders of the Notes will not be able to instruct the Security Agent, force a sale of Collateral or otherwise independently pursue the remedies of a secured creditor under the relevant Security Documents and the Indenture, unless they comprise an instructing group which is entitled to give such instructions, which, in turn, will depend on certain conditions and circumstances including those described above.

In addition, if the Security Agent sells any of the Collateral as a result of an enforcement action in accordance with the Intercreditor Agreement, claims under the Notes and the Notes Guarantee and over any other assets securing the Notes may be released. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*" and "*Description of the Notes—Security—Release of Liens*."

The security interests in the Collateral will be granted to the Security Agent rather than directly to the holders of the Notes. The ability of the Security Agent to enforce the Collateral may be restricted by local law.

The security interests in the Collateral that will secure the obligations of the Issuer under the Notes will not be granted directly to the holders of the Notes but to the Security Agent, and thus the holders of the Notes will not have any independent power to enforce, or have recourse to, any of the Security Documents or to exercise any rights or powers arising under the Security Documents except through the Security Agent as provided in the Intercreditor Agreement. By accepting a Note, you will be deemed to have agreed to these restrictions. As a result of these restrictions, holders of the Notes will have limited remedies and recourse against us in the event of a default. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*."

In addition, the ability of the Security Agent to enforce the security interests is subject to mandatory provisions of the laws of each jurisdiction in which security interests over the Collateral are taken, including Italian law. For example, the laws of certain jurisdictions may not allow for the appropriation of certain pledged assets, but require a sale through a public auction and certain waiting periods may apply. There is some uncertainty under the laws of certain jurisdictions as to whether obligations to beneficial owners of the Notes that are not identified as registered holders in, nor are directly parties to, a security document will be validly secured and/or can be enforced; this area of law is untested in the courts of certain jurisdictions (including the Republic of Italy). Enforcement of the Collateral may be subject to certain statutory limitations and defenses or to limitations indicated in the Security Documents and designed to ensure compliance with applicable statutory requirements.

For example, in Italy the Collateral will not be granted directly to the holders of the Notes but will be created and perfected in favor of the Security Agent, acting also in its capacity as representative (*rappresentante*) of the holders of the Notes pursuant to Article 2414-bis, paragraph 3, of the Italian Civil Code. Under such provision (introduced by Italian Law No. 164 of November 11, 2014), the security interests and guarantees assisting bond issuances can be validly created in favor of an agent (*rappresentante*) of the holders of the Notes who will then be entitled to exercise in the name and on behalf of the holders all their rights (including any rights before any court and judicial proceedings) relating to the security interests and guarantees. However, there is no guidance or available case law on the exercise of the rights and enforcement of such security interest and guarantee by a *rappresentante* pursuant to Article 2414-bis, paragraph 3, of the Italian Civil Code also in the name and on behalf of the holders of the Notes which are neither directly parties to the Collateral nor are specifically identified therein or in the relevant share certificates and corporate documents or public registries.

Furthermore, under Italian law, in the event that the Issuer enters into insolvency proceedings, the security interests created under the security documents entered into to secure the Issuer's obligations under the Notes could be subject to potential challenges by an insolvency administrator or by other creditors of the Issuer under the rules of avoidance or claw back of Italian insolvency laws and the relevant law on the non-insolvency avoidance or claw back of transactions by the debtor made during a certain legally specified period (the "**suspect period**"). A longer period may apply to any Collateral governed by Italian law which may be granted after the Offering. Moreover, under Italian law, claims of certain categories of creditors (*creditori privilegiati*) are given statutory priority in relation to the proceeds of a debtor's property in respect of the claims of other creditors, even if such claims are secured claims. See "*Limitations on validity and enforceability of the Notes Guarantee and security interests and certain insolvency law considerations*."

The enforcement of any Collateral located in Italy or governed by Italian law is subject to mandatory provisions of Italian law, including in relation to limitations and defenses or to limitations contained in the terms of the Security Documents designed to ensure compliance with applicable statutory requirements.

In case of insolvency of the Guarantor, the enforcement of any collateral provided by such Guarantor and/or the relevant Notes Guarantee may be subject to certain restrictions. For a more detailed description of various limitations on the security under Italian law, see "*Limitations on validity and enforceability of the Notes Guarantee and security interests and certain insolvency law considerations*."

Your rights in the Collateral securing the Notes may be adversely affected by the failure to perfect security interests in the Collateral.

Under Italian law, a security interest in certain tangible and intangible assets can only be properly perfected and thus retain its priority if certain actions are undertaken by the secured party and/or the grantor of the security interest. The security interests in the Collateral may not be perfected with respect to the claims of the Notes if we or the Security Agent fail or are unable to take the actions required to perfect the security interest. Any failure to perfect a security interest, including on a timely basis prior to claims made by third parties, may result in the ineffectiveness of the relevant security interest in the Collateral, the holder of the security interest having difficulty enforcing such holder's right in the Collateral or adversely affect the priority of such security interest in favor of third parties, including a trustee in bankruptcy and other creditors who claim a security interest in the same Collateral, which may have a material adverse effect on the ability of the holders of the Notes to receive proceeds from any enforcement of the Collateral. The Trustee and the Security Agent will not be under any obligation or responsibility to take any steps or actions to perfect, or ensure the perfection of, any such security interest.

The Collateral and the Notes Guarantee will be subject to exceptions, defects, encumbrances, liens and other imperfections permitted under the Indenture and the Intercreditor Agreement, whether on or after the date the Notes are first issued. The existence of such exceptions, defects, encumbrances, liens and other imperfections could adversely affect the value of the Collateral and the Notes Guarantee, as well as the ability of the Security Agent to realize or foreclose on such Collateral and the Notes Guarantee. The Security Agent may be required to obtain, on behalf of the secured creditors, a separate Italian Golden Power Clearance under the Italian Golden Power Legislation in order to enforce the Guarantor Collateral, and any such delay could devalue the Guarantor Collateral. In addition, we cannot exclude that the pledge over the shares of the Guarantor, granted as a result of the receipt of the Italian Golden Power Clearance, may be subject to claims from bankruptcy receivers seeking to invalidate such pledge on the basis of their interpretation of the Italian Golden Power Legislation. Furthermore, the first- priority ranking of security interests can be affected by a variety of factors, including the timely satisfaction of perfection requirements, statutory liens or re-characterization under applicable law.

The value of the assets securing the Notes may not be sufficient to satisfy our obligations under the Notes or the Notes Guarantee.

Subject to the Agreed Security Principles, on or about the Issue Date, the obligations of the Issuer with respect to the Notes and the Indenture will be secured by (i) all of the shares of the Issuer held by MSC, and (ii) the Issuer's interest in the receivables in respect of certain material intercompany loans owing to it by certain of the Issuer's subsidiaries, in each case subject to the Agreed Security Principles (the "**Issue Date Collateral**"). As soon as reasonably practicable and no later than 10 business days following the Issue Date, we will submit an application with the Italian Golden Power Authority pursuant to the Italian Golden Power Legislation in order for the Guarantor Collateral to be granted. No later than 30 days following receipt of the Italian Golden Power Clearance, subject to the Agreed Security Principles, the Notes will be secured by all of the shares of the Guarantor (the "**Guarantor Collateral**", and (as and when granted) together with the Issue Date Collateral, the "**Collateral**"). See "*Description of the Notes—Security*."

The Collateral will be subject to exceptions, defects, encumbrances, liens, loss of legal perfection and other imperfections permitted under the Indenture and the Intercreditor Agreement and accepted by other creditors that have the benefit of first-priority security interests in the Collateral from time to time, whether on or after the date the Notes are first issued. The existence of any such exceptions, defects, encumbrances, liens, loss of legal perfection and other imperfections could adversely affect the value of the Collateral, as well as the ability of the Security Agent to realize or foreclose on such Collateral. Furthermore, the first-priority ranking of security interests can be affected by a variety of factors, including, among others, the timely satisfaction of perfection requirements, statutory liens or re-characterization under the laws of Italy.

No appraisals of any Collateral have been prepared in connection with the offering of the Notes. The value of the Collateral at any time will depend on market and other economic conditions, including the availability of suitable buyers. By their nature, the assets comprised in the Collateral may be illiquid and may have no readily ascertainable market value. Given our competitive position in, and the nature of, the Italian facilities management market, there may not be any buyer willing and able to purchase our business as a going concern, or willing to buy a significant portion of our assets in the event of an enforcement action. We cannot assure you that the fair market value of the Collateral as of the date of this Offering Memorandum exceeds the principal amount of the Notes. The value of the assets comprised in the Collateral for the Notes could be impaired in the future as a result of changes in the markets in which we operate, changes in exchange rates, our failure to implement our business strategies and achieve our business targets successfully, our failure to compete successfully in our industry and other future trends and developments. In the event of a foreclosure, liquidation, bankruptcy or similar proceeding, the Collateral may not be sold in a timely or orderly manner, and the proceeds from any sale or liquidation of this Collateral may not be sufficient to repay the obligations under the Revolving Credit Facility and the Notes. We may also incur substantial additional debt in the future which may be secured on the Collateral on a *pari passu* basis with the Notes which may reduce or dilute your recovery in the event of a foreclosure on the Collateral.

The security interest will be subject to practical problems generally associated with the realization of security interests in the Collateral. For example, the Trustee or Security Agent may be required to obtain the consent of a third party and/or court order to obtain or enforce a security interest in a contract. In addition, our business requires a variety of national and local permits and licenses and it is subject to regulations and permitting requirements and may be adversely affected if we are unable to comply with existing regulations or requirements or if changes in applicable regulations or requirements occur. We cannot assure you that the Trustee or Security Agent will be able to obtain any such consent. We also cannot assure you that the consents of any third parties or court orders will be given or granted when required to facilitate enforcement on such assets. Accordingly, the Trustee or the Security Agent may not have the ability to enforce upon those assets and the value of the Collateral may significantly decrease. Obtaining the Italian Golden Power Clearance pursuant to the Italian Golden Power Legislation is subject to inherent uncertainties and there is no assurance that it will be obtained. See "*—The grant of the Guarantor Collateral is subject to the Italian Golden Power Clearance and the outcome of such process is uncertain*."

There are circumstances other than repayment or discharge of the Notes under which the Notes Guarantee will be released without your consent or the consent of the Trustee.

The Indenture and the agreement governing the Revolving Credit Facility will, subject to specified limitations, permit our non-Guarantor subsidiaries to incur additional indebtedness and will not contain any limitation on the amount of other liabilities, such as trade payables, that they may incur. In addition, under certain circumstances, the Notes Guarantee of a Guarantor may be released automatically (see "*Description of the Notes—Notes Guarantee—Notes Guarantee Release*"), including, without limitation:

- upon a sale or other disposition (including by way of consolidation or merger) of the capital stock of the relevant Guarantor (whether by direct sale or sale of a holding

company) or the sale or disposition of all or substantially all the assets of the Guarantor if the sale or other disposition does not violate the Indenture, the Intercreditor Agreement or any additional intercreditor agreement and such Guarantor ceases to be a restricted subsidiary as a result of the sale or other disposition;

- upon the designation in accordance with the Indenture of a Guarantor as an Unrestricted Subsidiary (as defined in "*Description of the Notes*");
- upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture;
- pursuant to the provisions of the Intercreditor Agreement or any additional intercreditor agreement;
- as described under "*Description of the Notes—Amendments and Waivers*";
- upon release of the guarantee of other indebtedness which gave rise to the obligation to provide such additional Notes Guarantee;
- in connection with a Permitted Reorganization (as defined under "*Description of the Notes—Certain definitions*"; or
- as a result of a transaction that would not be prohibited under the covenant described under "*Description of the Notes—Certain covenants—Merger and Consolidation*".

There are circumstances other than repayment or discharge of the Notes under which the Collateral securing the Notes will be released without your consent or the consent of the Trustee.

Under various circumstances, the Collateral will be released unconditionally without your consent or the consent of the Trustee, including, without limitation:

- in connection with any sale or other disposition of Collateral, directly or indirectly, to a person that is not (either before or after giving effect to such transaction) the Issuer or any restricted subsidiary (but excluding any transaction subject to the covenant described under "*Description of the Notes—Certain Covenants—Merger and Consolidation*"), if the sale or other disposition does not violate the provisions of the Indenture; *provided* that any transfer of the capital stock, interest in receivables under proceeds loans owed to the Issuer or accounts receivables to a restricted subsidiary unless the relevant property and assets remain subject to, otherwise become subject to a Lien in favor of the Notes following such transfer, sale or disposal;
- in the case of a Guarantor that is released from its Notes Guarantee pursuant to the terms of the Indenture, the release of the property and assets, and capital Stock, of such Guarantor;
- as described under "*Description of the Notes—Amendments and Waivers*";
- upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture;
- if the Issuer designates any Restricted Subsidiary to be an Unrestricted Subsidiary (as defined in "*Description of the Notes*") in accordance with the applicable provisions of the Indenture, the release of the property and assets, and capital stock, of such Unrestricted Subsidiary;
- in the case of any security interest over intra-group receivables (if any), upon partial repayment or discharge thereof (in proportion to such partial repayment or discharge), and in full upon full repayment or discharge;
- upon the contribution of any claim of the Issuer or any restricted subsidiary, which is subject to a lien, to the equity of the Issuer or a restricted subsidiary; *provided* that such contribution is made in compliance with the Intercreditor Agreement;

- in connection with a transaction permitted by the covenant described under "*Description of the Notes—Certain Covenants—Merger and Consolidation*" or as may be permitted under "*Description of the Notes—Certain Covenants—Impairment of Security Interest*";
- in connection with a Permitted Reorganization; or
- as otherwise permitted in accordance with the Indenture or the Intercreditor Agreement.

The Indenture also provides that the Collateral securing the Notes may be released and retaken in several circumstances, including in connection with the refinancing of certain indebtedness, including the Notes. In Italy, such a release and retaking of Collateral may give rise to the start of a new "hardening period" in respect of such Collateral. Under certain circumstances, other creditors, insolvency administrators or representatives or courts could challenge the validity and enforceability of the grant of such Collateral. Any such challenge, if successful, could potentially limit your recovery in respect of such Collateral and thus reduce your recovery under the Notes. See "*Description of the Notes—Security—Release of Liens*."

Corporate benefit, financial assistance laws, capital maintenance and other limitations on the Notes Guarantee and the Collateral may adversely affect the validity and enforceability of the Notes Guarantee and the Collateral.

The Issuer, MSC and the Guarantor are incorporated and organized under the laws of Italy. Enforcement of the obligations under the Notes Guarantee against, and/or any Collateral provided by, as applicable, the Guarantor and/ or Collateral provider will be subject to certain defenses available to the Issuer or the relevant guarantor or the security provider, as the case may be. These laws and defenses may include those that relate to fraudulent conveyance or transfer, financial assistance, corporate benefit, capital maintenance, preservation of share capital, liquidity maintenance, voidable preferences, thin capitalization or similar laws as well as regulations or defenses affecting the rights of creditors generally, by limiting the amounts recoverable under the Notes Guarantee and the Collateral, as applicable, and the amounts recoverable thereunder will be limited to the maximum amount that can be guaranteed or secured by the Guarantor or the relevant security provider under the applicable laws, to the extent that the granting of such Notes Guarantee or Collateral is not in the Guarantor's or relevant security provider's corporate interests, or the burden of such Notes Guarantee or Collateral exceeds the benefit to the Guarantor or relevant security provider, or such Notes Guarantee or Collateral would be in breach of capital maintenance, financial assistance, liquidity maintenance or thin capitalization rules or any other general statutory laws and/or would cause the directors of such subsidiary guarantor or security provider to contravene their fiduciary duties and incur civil or criminal liability. An increase in the amount of debt that benefits from the Notes Guarantee without a corresponding increase in the amount of the Notes Guarantee will dilute the value of the Notes Guarantee to its beneficiaries, including the holders of the Notes.

Accordingly, enforcement of the Notes Guarantee against the Guarantor would be subject to certain defenses available to guarantors generally or, in some cases, to limitations contained in the terms of the Notes Guarantee designed to ensure compliance with statutory requirements applicable to the Guarantor. As a result, the Guarantor's liability under its Notes Guarantee could be materially reduced or eliminated, depending upon the law applicable to it.

It is possible that the Guarantor or a grantor of security, or a creditor of the Guarantor, or of a grantor of security, or the bankruptcy trustee in the case of a bankruptcy of the Guarantor or a grantor of security, may contest the validity and enforceability of the Guarantor's Notes Guarantee or grantor's creation of security on any of the above grounds and the applicable court may determine that the Notes Guarantee or the relevant security interest should be limited or voided. In the event that the Notes Guarantee or security interest is invalid or unenforceable, in whole or in part, or to the extent that agreed limitations on the Notes Guarantee or security obligation apply, the Notes would to that extent be structurally subordinated to all liabilities of the Guarantor or security grantor, including trade payables of the Guarantor or grantor. Any future Notes Guarantees required to be granted under the Indenture may be subject to similar

limitations. See "*Limitations on validity and enforceability of the Notes Guarantee and security interests and certain insolvency law considerations*."

The insolvency laws of Italy may not be as favorable to holders of Notes as U.S. insolvency laws or those of another jurisdiction with which you may be familiar; other limitations on the Notes Guarantee and the security interests in the Collateral, including fraudulent conveyance statutes, may adversely affect their validity and enforceability.

The Issuer and the Guarantor are incorporated in Italy. There is a rebuttable presumption that the "centre of main interest" as defined in Regulation (EU) No. 2015/848 of the European Parliament and of the Council of May 20, 2015 on insolvency proceedings (the "**Insolvency Regulation**") is the jurisdiction where the registered office is situated. In accordance with Council Regulation (EC) No. 1346/2000 of May 29, 2000 on insolvency proceedings, as amended, the main insolvency proceedings are opened in the jurisdiction in which the debtor has its "center of main interests." Accordingly, insolvency proceedings with respect to these companies may proceed under, and be governed by, Italian insolvency law. The insolvency laws of Italy may not be as favorable to your interests as those of the United States or another jurisdiction with which you may be familiar. In the event that any one or more of the Issuer, the Guarantor or any other of the Issuer's subsidiaries experiences financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings (which may be significantly longer than the duration of analogous proceedings in jurisdictions you may be familiar with). In particular, the Indenture could be limited in scope and effect by Italian courts to the extent its covenants and provisions, which are untested under Italian case law, could be considered to conflict with mandatory provisions of Italian law. As a consequence, enforcement of rights under the Notes, the Notes Guarantee and the Collateral in an insolvency situation may be delayed and be complex and costly for creditors. See "*Limitations on validity and enforceability of the Notes Guarantee and security interests and certain insolvency law considerations*."

Although laws differ across jurisdictions, in general, applicable fraudulent transfer and conveyance and equitable principles, insolvency laws and limitations on the enforceability of judgments obtained in courts in such jurisdictions could limit the enforceability of the Notes against the Issuer, the enforceability of the Notes Guarantee against the Guarantor, the enforceability of any other guarantee of the Notes and the enforceability of the security interests in the Collateral. In certain circumstances the court may also void the security interest or the Notes Guarantee if the company is close to or near insolvency. The following discussion of fraudulent transfer, conveyance and insolvency law, although an overview, describes generally applicable terms and principles, which are defined under the relevant jurisdiction's fraudulent transfer and insolvency statutes.

In an insolvency proceeding, it is possible that creditors of the Guarantor or the appointed insolvency administrator may challenge the Notes Guarantee, as and when granted, and the security interests, and intercompany obligations generally, as preferences, transaction at an undervalue, invalid charges, fraudulent transfers or conveyances or on other grounds. If so, such laws may permit a court, if it makes certain findings, to:

- avoid or invalidate all or a portion of the Guarantor's obligations under its Notes Guarantee or the security interests provided by such security provider;
- direct that the Issuer and the holders of the Notes return any amounts paid under the Notes Guarantee or any security interest oi the Collateral to the Guarantor or the relevant security provider or to a fund for the benefit of the Guarantor's or security provider's creditors; and
- take other action that is detrimental to you.

If we cannot satisfy our obligations under the Notes and any Notes Guarantee or security interests are found to be a preferences, transactions at an undervalue, fraudulent transfers or conveyances or if otherwise set aside, we cannot assure you that we can ever repay in full any

amounts outstanding under the Notes. In addition, the liability of the Guarantor or of any security provider under its Notes Guarantee or the security interests will be limited to the amount that will result in the Notes Guarantee or the relevant security interests not constituting a fraudulent conveyance or improper corporate distribution or otherwise being set aside.

The amount recoverable from the Guarantor and security providers under the Security Documents will also be limited. However, there can be no assurance as to what standard a court would apply in making a determination of the maximum liability of each. There is also the possibility that the entire Notes Guarantee or security interest may be set aside, in which case the entire liability may be extinguished. See also "*—Corporate benefit, financial assistance laws, capital maintenance and other limitations on the Notes Guarantee and the Collateral may adversely affect the validity and enforceability of the Notes Guarantee and the Collateral*".

In order to initiate any of these actions under fraudulent transfer or other applicable principles, courts would, for example, need to find that, at the time the Notes Guarantee were issued or the security interests created, the Guarantor or security provider:

- issued such Notes Guarantee or created such security interest with the intent of hindering, delaying or defrauding current or future creditors or with a desire to prefer some creditors over others, or created such security after its insolvency;
- issued such Notes Guarantee or created such security interest in a situation where a prudent business person as a shareholder of the Guarantor or security provider would have contributed equity to the Guarantor or security provider or where the relevant beneficiary of the Notes Guarantee or security interest knew or should have known that the Guarantor or security provider was insolvent or a filing for insolvency had been made;
- received less than reasonably equivalent value for incurring the debt represented by the Notes Guarantee or security interest on the basis that the Notes Guarantee or security interest were incurred for our benefit, and only indirectly the Guarantor's or security provider's benefit, or on some other basis and (i) was insolvent or rendered insolvent by reason of the issuance of the Notes Guarantee or the creation of the security interest, or subsequently became insolvent for other reasons, (ii) was engaged, or was about to engage, in a business transaction for which the Guarantor's or security provider's assets were unreasonably small or (iii) intended to incur, or believed it would incur, debts beyond its ability to make required payments as and when they would become due;
- the Notes Guarantee or security interest was entered into within a certain time period prior to the opening date of insolvency proceedings of the Guarantor or collateral provider; or
- the amount paid or payable was in excess of the maximum amount permitted under applicable law.

Different jurisdictions evaluate insolvency on various criteria, but a guarantor or security provider generally may, in different jurisdictions, be considered insolvent at the time it issued a notes guarantee or created any security interest if:

- its liabilities exceed the fair market value of its assets;
- it cannot pay its debts as and when they become due; or
- the present saleable value of its assets is less than the amount required to pay its total existing debts and liabilities, including contingent and prospective liabilities, as they mature or become absolute.

Although we believe that we and the Group are solvent, and will be so after giving effect to the Refinancing, there can be no assurance as to which standard a court would apply in determining whether the Guarantor or a security provider was "insolvent" as of the date the Notes Guarantee were issued or the security interests were created or that, regardless of the method of valuation,

a court would not determine that the Guarantor or security provider was insolvent on that date, or that a court would not determine, regardless of whether or not the Guarantor or a security provider was insolvent on the date its Notes Guarantee was issued or the security interests were created, that payments to holders of the Notes constituted fraudulent transfers on other grounds.

Under Italian law, in the event that the Issuer enters into insolvency proceedings, the security interests granted to secure the Notes could be subject to potential challenges by an insolvency administrator or by other creditors under the rules of avoidance or clawback of Italian Bankruptcy Law and the relevant law on the non-insolvency avoidance or claw back of transactions made by the debtor during a certain legally specified period (the "suspect period"). The avoidance may relate to (i) transactions made by the debtor within a suspect period of one year prior to the declaration of the insolvency at below market value (i.e. to the extent the asset or obligation given or undertaken exceeds by one-quarter the value of the consideration received by the debtor), or involving unusual means of payment (e.g., payment in kind) or security taken after the creation of the secured obligations, whereby the creditor must prove its lack of knowledge of the state of insolvency of the relevant entity in order to rebut any claw back action, (ii) security granted in order to secure a debt due and payable, whereby the creditor must prove his lack of knowledge of the state of insolvency of the relevant entity in order to rebut any claw back action during the suspect period of six months prior to the declaration of the insolvency, and (iii) payments of due and payable obligations, transactions at arm's length or security taken simultaneously to the creation of the secured obligations during the suspect period of six months prior to the declaration of the insolvency, whereby the insolvency administrator must prove that the creditor was aware of the state of insolvency of the relevant entity in order to enforce any claw back action. See "*Limitations on validity and enforceability of the Guarantee and the Collateral and certain insolvency law considerations" for further information*.

Under Article 64 of the Italian Bankruptcy Law, all transactions without consideration are ineffective *vis-à-vis* creditors if entered into by the debtor in the two-year period prior to the insolvency declaration. In addition, under Article 65 of the Italian Bankruptcy Law, payments of receivables falling due on the day of the insolvency declaration or thereafter are ineffective vis-à-vis creditors, if made by the insolvent entity in the two-year period prior to insolvency. In addition, the EU Insolvency Regulation contains conflicts of law rules which replace the various national rules of private international law in relation to insolvency proceedings within the EU.

If challenged successfully, the security interest in the Collateral may become unenforceable and any amounts received must be refunded to the insolvent estate. To the extent that the grant of any security interest is voided, the holders of the Notes could lose the benefit of the security interest and may not be able to recover any amounts under the related Security Documents.

For an overview of certain insolvency laws and enforceability issues as they relate to the Notes Guarantee and security interests, see "*Limitations on validity and enforceability of the Notes Guarantee and security interests and certain insolvency law considerations*."

The Notes Guarantee, will be significantly limited by applicable laws and are subject to certain limitations and defenses.

The Notes Guarantee provides the holders of the Notes with a direct claim against the Guarantor. However, the obligations of the Guarantor under its Notes Guarantee and the enforcement of the Notes Guarantee will be limited under the Indenture to an amount which has been determined so as to ensure that amounts payable will not result in violations of laws related to, among others, corporate benefit, capitalization, capital preservation, financial assistance or transactions under value, or otherwise cause the Guarantor to be deemed insolvent under applicable law or such Notes Guarantee to be deemed void, unenforceable or ultra vires, or cause the directors of such Guarantor to be held in breach of applicable corporate or commercial law for providing such Notes Guarantee.

In particular, enforcement of any Notes Guarantee or Collateral against the relevant Guarantor or pledgor would be subject to certain defenses available to guarantors generally or, in some cases, to limitations contained in the terms of the Notes Guarantee or pledges of security designed to ensure compliance with statutory requirements applicable to the relevant Guarantors or pledgors. These laws and defenses include those that relate to fraudulent conveyances or transfers, insolvency, voidable preferences, financial assistance, corporate purpose or benefit, preservation of share capital, thin capitalization, capital maintenance or similar laws and regulation or defenses affecting the rights of creditors generally. As a result, the liability of a Guarantor under its Notes Guarantee or of a pledgor of security could be materially reduced or eliminated, depending on the amounts of its other obligations and the law applicable to it.

As a result of the applicable limitations under Italian law with respect to, amongst others, corporate benefit and financial assistance, notwithstanding anything to the contrary provided in the Indenture, the Revolving Credit Facility Agreement and the Intercreditor Agreement:

- the Notes Guarantee and security interests granted by the Guarantor shall not exceed at any time an amount equal to the aggregate principal amount of any intercompany loans made available from time to time to the Guarantor (or any of its direct or indirect subsidiaries pursuant to article 2359 of the Italian Civil Code) by the Issuer (whether directly or indirectly), in each case net of any proceeds already paid pursuant to the enforcement of its guarantee under the Revolving Credit Facility and/or received upon the enforcement of any security interests granted by the Guarantor; provided further that the Guarantor shall not be liable as a Guarantor and/or security provider in respect of any amounts in excess of the amount that the Guarantor is entitled to set-off against its claims of recourse or subrogation (*regresso* or *surrogazione*) arising as a result of any payment made by the Guarantor under the relevant Notes Guarantee and/or as a result of the enforcement of any security interests granted by the Guarantor;

- the maximum amount guaranteed and/or secured by the Guarantor, also in accordance with Article 1938 of the Italian Civil Code (where applicable), will not exceed 120% of the outstanding principal amount of the Notes;

- the aggregate amount of interest in respect of the Notes guaranteed and/or secured by the Guarantor will be at any time equal to the interest then outstanding in respect of a principal amount of the Notes equal to the principal amount of the Notes guaranteed and/or secured by the Guarantor at that time; and

- notwithstanding any provision to the contrary in the Indenture, in order to comply with the mandatory provisions of Italian law in relation to (i) maximum interest rates (including the Italian Usury Law and Article 1815 of the Italian Civil Code) and (ii) capitalization of interests (including Article 1283 of the Italian Civil Code and Article 120 of the Italian Legislative Decree No. 385 of September 1, 1993), the obligations of the Guarantor under its Notes Guarantee and/or any security interests granted by the Guarantor shall not include and shall not extend to (A) any interest qualifying as usurious pursuant the Italian Usury Law and (B) any interest on overdue amounts compounded in violation of the provisions set forth by Article 1283 of the Italian Civil Code and/or Article 120 of the Italian Legislative Decree No. 385 of September 1, 1993, respectively.

In any case, the maximum amount that the Guarantor may be required to pay in respect of its obligations as Guarantor under the Indenture and/or security grantor under the relevant security documents upon enforcement of the Collateral granted by the Guarantor (if any) will ratably concur and not cumulate with the corresponding amounts due by the Guarantor to any guaranteed and/or secured creditor pursuant to the Revolving Credit Facility Agreement and/or the Intercreditor Agreement (including any guaranteed and/or secured creditors with respect to any further *pari passu* indebtedness contemplated under the Intercreditor Agreement) and/or any security documents, and *vice versa*. For the avoidance of doubt, by virtue of the abovementioned limitations applicable to the guarantees and the security interests granted by the Guarantor (if any), the obligations of the Guarantor as guarantor and/or security provider

under the Notes, the Indenture, the Revolving Credit Facility Agreement, the Intercreditor Agreement and any agreement regulating future *pari passu* indebtedness contemplated under the Intercreditor Agreement, the security documents relating to the Collateral and any other transaction documents related thereto shall not be deemed to be cumulative and shall be considered without duplication, and the transaction documents will provide that the aggregate amount of the proceeds deriving from any enforcement of any such guarantee and/ or security obligations of the Guarantor shall not exceed on an aggregate basis the limit of the Guarantor's credit support as described above.

In addition to the above, under article 1938 of the Italian Civil Code, if a corporate guarantee is issued by a Guarantor incorporated under the laws of Italy to guarantee conditional or future obligations, the guarantee must be limited to a maximum amount. Such maximum amount should be expressly identified at the outset and expressed in figures (either in the guarantee deed or by reference to a separate document, such as the Indenture). It has been held that such determination must be proportionate to the relevant Guarantor's assets. If such determination is deemed disproportionate to the assets of each of the Guarantors, there is a risk that the guarantee could be declared void.

The proceeds of the enforcement of such guarantees and/or security interests shall be distributed amongst the guaranteed and/or secured creditors (including, without limitation, the holders of the Notes) in accordance with the provisions of the Intercreditor Agreement. Accordingly, the holders of the Notes, as applicable, will be able to recover limited amounts under the Notes Guarantee and security.

As a result, the Guarantor's liability under the Notes Guarantee could be materially reduced or eliminated depending upon the amount of its obligations and upon applicable laws. For more information, see "*Limitations on validity and enforceability of the Notes Guarantee and security interests and certain insolvency law considerations.*"

The recovery from the enforcement of the share pledges forming part of the Collateral may be complicated, involve long recovery times and a low recovery rate.

In connection with the enforcement of share pledges over shares of entities with outstanding debt obligations, any sale of such entities is likely to involve a release of some or all of the debt of such entity, which could result in a taxable capital gain to such entities, including the Issuer. As the Notes will be issued by the Issuer, an enforcement over the shares of the Issuer would involve the enforcement over the share pledge of an entity with outstanding debt claims. In addition, the Indenture does not prohibit the Issuer from incurring additional debt claims in the future. Consequently, the enforcement of the share pledge over the Issuer's shares may result in the release of the debt obligations of the Issuer. Any taxable capital gain is likely to reduce the proceeds of any recovery from the enforcement of such share pledge. Therefore, the value of the pledge over the shares of the Issuer may be limited. In addition, the Guarantor Collateral consists of a security interest over the shares of the Guarantor. To the extent the enforcement of this security interest would result in an acquisition of a holding in the Guarantor, any such enforcement would require clearance by the Italian Golden Power Authority, pursuant to the applicable Italian Golden Power Legislation. Accordingly, the Security Agent may not have the ability to enforce its security and the value of the security interests may significantly deteriorate during the pendency of such application under the Italian Golden Power Legislation. See "*—The grant of the Guarantor Collateral is subject to the Italian Golden Power Clearance and the outcome of such process is uncertain*" and "*—The value of the assets securing the Notes may not be sufficient to satisfy our obligations under the Notes or the Notes Guarantee.*"

The Issuer may amend the economic terms and conditions of the Notes without the prior consent of all holders of Notes with the vote of either 75% or 50% of the aggregate principal amount of the outstanding Notes.

The Indenture will contain provisions for calling meetings of the holders of the Notes to consider matters affecting their interests generally. As set forth in "*Description of Notes—Meeting of Holders of Notes*," the majority required to pass an extraordinary resolution at any meeting of

holders of Notes will be one or more persons holding or representing at least 75% of the aggregate principal amount of the outstanding Notes or the relevant series of Notes, as the case may be. These provisions permit defined majorities (50% or 75%), depending on the nature of the resolution, to bind all holders of the Notes, including holder of Notes who did not attend and vote at the relevant meeting, and holder of Notes who voted in a manner contrary to the relevant majority as set forth in "*Description of the Notes—Meeting of Holders of Notes*." In particular, under the Indenture, an extraordinary resolution may include, among other things, proposals to reduce the rate or change the time for payment of principal or interest in respect of the Notes, to change the date on which any Note may be subject to redemption or reduce the redemption price, to change the currency of payments under the Notes and/or to change the quorum requirements relating to meetings and/or to change the majority required to pass a resolution, and to change the amendment provisions. These and other changes may adversely impact rights of holders of Notes and may have a material adverse effect on the market value of the Notes. Under Italian law, the approval of an extraordinary resolution typically requires the consent of more than one half of the aggregate principal amount of the outstanding Notes. Our decision to increase the majority requirement is untested under Italian law, may be challenged by holders of the Notes, the Issuer and/or others, and if challenged, may not be upheld by an Italian court, with the consequence that the majority voting threshold may be reduced from 75% to 50%. Furthermore, the interaction between (i) the provisions set forth under the Indenture with respect to meetings of holders of the Notes, the applicable majorities and the rights of each holder of the Notes to vote in the relevant meeting and (ii) applicable Italian law provisions relating to quorum and majorities in meetings of holders of notes issued by Italian companies is also untested in the Italian courts.

The granting of the security interests in the Collateral or the occurrence of a Permitted Reorganization may create hardening periods for such security interests in accordance with Italian law.

The granting of security interests to secure the Notes and the Revolving Credit Facility may create new hardening, claw back or voidance periods for such security interests in Italy and the relevant regime for hardening periods may be less favorable if the secured debt (or part thereof) is pre-existing to the granting of the security interest. In addition, the granting of a shared security interest (including security interests in the Collateral), including in connection with any release and retake of such security interest, to secure existing, new or future indebtedness (such as hedging obligations or any additional notes issued under the Indenture) or the transfer or the assignment of the security interest may restart or reopen hardening or claw back periods. The applicable hardening, claw back or voidance period for these new security interests can run from the moment each new security interest has been granted, perfected, amended, shared or recreated (as applicable). Claw back and voidance periods also apply in respect of the granting of guarantees (including, for the avoidance of doubt, the Notes Guarantee). In each instance, if the security interest granted, perfected or recreated or a guarantee were to be enforced before the end of the relevant hardening period and/or claw back period applicable in Italy, such security interest or guarantee may be declared void, ineffective, clawed back and/or it may not be possible to enforce it. Under Italian law, if any security interests (including security interests in the Collateral) are released and retaken at any time, such release and retaking of security interests may give rise to the start of a new hardening period in respect of such security interests. Under certain circumstances, other creditors, bankruptcy trustees, insolvency administrators or courts could challenge the validity and enforceability of the grant of such security interests. See "*Limitations on validity and enforceability of the Notes Guarantee and security interests and certain insolvency law considerations*."

Additionally, in the event any Permitted Reorganization is completed as described under "*Description of the Notes*," new hardening periods may be created in respect of security interests that are granted, perfected or recreated in connection with such Permitted Reorganization, and the security interests would be subject to the same risks described in the preceding paragraph. The applicable hardening period may run from the moment such new security is amended, transferred, assigned, granted or perfected.

Transfer of the Notes will be restricted, which may adversely affect the value of the Notes.

The Notes and the Notes Guarantee have not been and will not be registered under the U.S. Securities Act or any U.S. state securities laws. You may not offer the Notes in the United States except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws, or pursuant to an effective registration statement. The Notes and the Indenture will contain provisions that restrict the Notes from being offered, sold or otherwise transferred except pursuant to the exemptions available pursuant to Rule 144A and Regulation S, or other exceptions, under the U.S. Securities Act. Furthermore, we have not registered the Notes under any other country's securities laws. It is your obligation to ensure that your offers and resales of the Notes within the United States and other countries comply with applicable securities laws.

You may be unable to sell your Notes if a trading market for the Notes does not develop.

The Notes are new securities for which there is currently no established trading market. Accordingly, there can be no assurances as to the development or liquidity of any market for the Notes.

We have applied to have the Notes listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange on or about the Issue Date. However, the Notes may not become or remain listed on that exchange or any other securities exchange. The Initial Purchasers have advised us that they intend to make a market in the Notes. However, the Initial Purchasers are not obligated to do so and may discontinue any market making at any time at their sole discretion and without notice. In addition, the liquidity of the trading market in the Notes, and the market price quoted for the Notes, may be adversely affected by changes in the overall market for similar yielding securities, interest rates and our financial performance or prospects or in the prospects for companies in our industry generally. As a result, an active trading market for the Notes may not develop or be maintained. See "*—No assurance can be given that the Notes will be listed or that, once listed, the listing will be maintained or that such listing will satisfy the listing requirements of Decree No. 239*."

The Issuer may have the right to purchase all outstanding Notes in connection with a tender offer, even if certain holders do not consent to the tender.

In connection with certain tender offers for the Notes, if holders of not less than 90% in aggregate principal amount of the applicable outstanding Notes validly tender and do not withdraw such Notes in such tender offer and the Issuer, or any third party making such a tender offer in lieu of the Issuer, purchases all of the Notes validly tendered and not withdrawn by such holders, all holders of Notes will be deemed to have consented to such tender offer and, accordingly, the Issuer or such third party will also have the right to redeem the Notes that remain outstanding in whole, but not in part, following such purchase at a price equal to the price offered to each other holder of Notes. See "*Description of the Notes—Optional Redemption*."

You may have difficulty enforcing your rights against the Issuer, the Guarantor and their directors and executive officers.

The Issuer and the Guarantor are incorporated in Italy. All of the directors and executive officers of the Issuer and the Guarantor are non-residents of the United States. Although the Issuer and the Guarantor have submitted or will submit to the jurisdiction of certain New York courts in connection with any action under U.S. securities laws, you may be unable to effect service of process within the United States on its directors and executive officers. In addition, as all of its assets and substantially all of the assets of their directors and executive officers are located outside of the United States you may be unable to enforce against them judgments obtained in the U.S. courts predicated upon civil liability provisions of the federal securities laws of the United States. In addition, our Italian counsel have informed us that it is questionable whether a Italian court would accept jurisdiction and impose civil liability if proceedings were commenced in Italy solely upon U.S. federal securities laws. See "*Service of process and enforcement of civil liabilities*."

The Issuer may not be able to repurchase the Notes upon the occurrence of a change of control.

The source of funds for any repurchase required as a result of any such event will be available cash or cash generated from operating activities or other sources, including borrowings, sales of assets, sales of equity or funds provided by subsidiaries. Sufficient funds may not be available at the time of any such events to make any required repurchases of the Notes tendered.

The change of control provision contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events, including reorganization, restructuring, merger or other similar transaction involving us that may adversely affect you, because such corporate events may not involve a shift in voting power or beneficial ownership.

The definition of "change of control" contained in the Indenture includes a disposition of all or substantially all the assets of the Issuer and its restricted subsidiaries taken as whole. Although there is a limited body of case law interpreting the phrase "all or substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" the assets of the Issuer and its restricted subsidiaries taken as a whole. As a result, it may be unclear as to whether a change of control has occurred and whether the Issuer is required to make an offer to repurchase the Notes.

We may be unable to raise the funds necessary to refinance indebtedness maturing prior to the stated maturity of the Notes or to repay the Notes at maturity.

The Notes offered hereby will mature in 2026 and the Revolving Credit Facility will mature six months prior to the maturity of the Notes. In addition, all of our other indebtedness that is expected to remain outstanding following the Refinancing may be terminated or repayable prior to the maturity of the Notes. As a result, we may not have sufficient cash to repay all amounts owing on the Notes at maturity, since the prior maturity of such other indebtedness may make it difficult to refinance the Notes offered hereby. In addition, if our access to capital markets or our ability to enter new financing arrangements is reduced for any reason, we may not be able to refinance our Revolving Credit Facility on satisfactory terms or at all, which could have a material adverse effect on our business, financial position and results of operations.

You may face foreign exchange risks by investing in the Notes.

The Notes will be denominated and payable in euro. If investors measure their investment returns by reference to a currency other than euro, an investment in the Notes will entail foreign exchange-related risks due to, among other factors, possible significant changes in the value of the euro relative to the currency by reference to which investors measure the return on their investments because of economic, political and other factors over which we have no control. Depreciation of the euro against the currency by reference to which investors measure the return on their investments could cause a decrease in the effective yield of the Notes below their stated coupon rates and could result in a loss to investors when the return on the Notes is translated into the currency by reference to which the investors measure the return on their investments.

The Notes will initially be held in book entry form, and therefore you must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.

The Notes will initially only be issued in global certificated form and will initially be held through Euroclear and Clearstream. Interests in the global notes will trade in book entry form only, and Notes in definitive registered form, or Definitive Registered Notes, will be issued in exchange for Book Entry Interests only in very limited circumstances. Owners of Book Entry Interests will not be considered owners or holders of Notes. The common depositary, or its nominee, for Euroclear and Clearstream will be the sole registered holder of the global notes representing the Notes and will be entered as such in the register of holders of the Notes maintained by the Registrar. Payments of principal, interest and other amounts owing on or in respect of the global notes representing the Notes will be made to The Bank of New York Mellon, London Branch, as Paying Agent, which then will make payments to Euroclear and Clearstream. Thereafter, these payments will be credited to participants' accounts that hold Book Entry Interests in the global notes representing the Notes and credited by such participants to indirect participants. After payment

to Euroclear and Clearstream, we, the Trustee, the Paying Agent, the Transfer Agent and the Registrar will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of Book Entry Interests. Accordingly, if you own a Book Entry Interest, you must rely on the procedures of Euroclear and Clearstream, and if you are not a participant in Euroclear and Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder of Notes under the Indenture.

Unlike the registered holders of the Notes themselves, owners of Book Entry Interests will not have the direct right to act upon the Issuer's solicitations for consents, requests for waivers or other actions from holders of the Notes. Instead, if you own a Book Entry Interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from Euroclear and Clearstream. The procedures implemented for the granting of such proxies may not be sufficient to enable you to vote on a timely basis.

Similarly, upon the occurrence of an Event of Default under the Indenture, unless and until Definitive Registered Notes are issued in respect of all Book Entry Interests, if you own a Book Entry Interest, you will be restricted to acting through Euroclear and Clearstream. The procedures to be implemented through Euroclear and Clearstream may not be adequate to ensure the timely exercise of rights under the Notes. See "*Book-entry, delivery and form*."

Certain covenants may be suspended upon the occurrence of a change in our ratings.

The Indenture will provide that, if at any time following the date of the Indenture, the Notes receive the following rating from at least two of the three rating agencies: "Baa3" or better from Moody's Investors Service, Inc. ("**Moody's**"), "BBB-" or better from Standard & Poor's Investors Ratings Services ("**S&P**") and "BBB" or better from Fitch Ratings, Inc. ("**Fitch**"), and no default or event of default has occurred and is continuing. If the Notes were to attain investment grade status, then beginning that day and continuing until such time that the Notes receive a rating of below "Baa3" from Moody's, "BBB-" from S&P or "BBB" from Fitch, certain covenants will cease to be applicable to the Notes. See "*Description of the Notes—Certain Covenants—Suspension of Covenants on Achievement of Investment Grade Status*." If these covenants were to cease to be applicable, we would be able to incur additional indebtedness or make payments, including dividends or investments, which may conflict with the interests of holders of the Notes. There can be no assurance that the Notes will ever achieve an investment grade rating or that any such rating will be maintained.

Credit ratings may not reflect all risks, are not recommendations to buy or hold securities and may be subject to revision, suspension or withdrawal at any time.

One or more independent credit rating agencies are expected to assign credit ratings to the Notes. The credit ratings address our ability to perform our obligations under the terms of the Notes and credit risks in determining the likelihood that payments will be made when due under the Notes. The ratings may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed above and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal by the rating agency at any time. No assurance can be given that a credit rating will remain constant for any given period of time or that a credit rating will not be lowered or withdrawn entirely by the credit rating agency if in its judgment circumstances in the future so warrant. A suspension, reduction or withdrawal at any time of the credit rating assigned to the Notes by one or more of the credit rating agencies may adversely affect the cost and terms and conditions of our financings and could adversely affect the value and trading of the Notes.

You generally will not be entitled to a gross-up for any Italian withholding taxes, unless the Italian withholding tax is caused solely by a failure of the Issuer or the Guarantor to comply with certain procedures.

The Issuer is organized under the laws of the Republic of Italy and therefore payments of principal and interest on the Notes and, in certain circumstances, any gain on the Notes, will be subject to Italian tax laws and regulations. All payments made by or on behalf of the Issuer in

respect of the Notes will be made free and clear of withholding or deduction of Italian taxation, unless the withholding or deduction is required by law. In that event, the Issuer will pay such additional amounts as will result in the holders of the Notes receiving such amounts as they would have received in respect of such Notes had no such withholding or deduction been required. The Issuer is not liable to pay any additional amounts to holders of the Notes under certain circumstances, including if any withholding or deduction is required pursuant to Italian Legislative Decree No. 239 of April 1, 1996 ("**Decree No. 239**") or pursuant to Italian Legislative Decree No. 461 of November 21, 1997 ("**Decree No. 461**"), except where the procedures required under Decree No. 239 or Decree No. 461 in order to benefit from an exemption have not been complied with due solely to the actions or omissions of the Issuer, or the Guarantor or its agents. In such circumstances, investors subject to Italian withholding tax will only receive the net proceeds of their investment in the Notes. See "*Description of the Notes—Additional Amounts*" and "*Tax Considerations—Certain Italian Tax Considerations*."

Although we believe that, under current law, Italian withholding tax will not be imposed under Decree No. 239 or Decree No. 461 where the Notes are listed on a regulated market or multilateral trading facility upon issuance and a holder of Notes is resident for tax purposes in a country or territory which allows for a satisfactory exchange of information with the Italian tax authorities as included in (i) the decree of the Ministry of Economy and Finance of September 4, 1996 as subsequently amended and supplemented and replaced or (ii) once effective, in any other decree that will be issued in the future under Art. 11(4)(c) of Decree No. 239 to provide the list of such countries or territories (any of such decrees, the "**White List**") and such holder complies with certain certification requirements, there is no assurance that this will be the case. Moreover, holders of Notes will bear the risk of any change in the White List countries.

No assurance can be given that the listing of the Notes will satisfy the listing requirement of Decree No. 239.

No assurance can be given that the listing of the Notes on the Official List of the Luxembourg Stock Exchange will satisfy the listing requirement of Decree No. 239 in order for the Notes to be eligible to benefit from the provisions of such legislation relating to the exemption from the requirement to apply withholding tax. The Italian tax authorities issued an interpretive circular relating to, among others, the listing requirement of the aforementioned legislation that may be interpreted to require that the Notes be listed upon their issuance to benefit from the aforementioned provisions, including the exemption from the requirement to apply withholding tax. In the event that the Notes are not listed or that such listing requirement is not satisfied, payments of interest, premium and other income with respect to the Notes would be subject to a withholding tax, at a rate of 26% as of the date of this Offering Memorandum, and, subject to certain exceptions, see "*Description of the Notes—Additional Amounts*," we would be required to pay additional amounts with respect to such withholding taxes such that holders receive a net amount that is not less than the amount that they would have received in the absence of such withholding. The Issuer cannot assure you that the Italian tax authorities will not interpret the applicable legislation as requiring that the listing be effective at closing (upon issuance of the Notes) and we cannot assure you that the listing can be achieved by the Issue Date. The imposition of withholding taxes with respect to payments on the Notes and the resulting obligation to pay, subject to certain exemptions, additional amounts to holders of the Notes could have a material adverse effect on our financial condition and results of operations.

No assurance can be given that the procedural requirements to apply the Italian tax regime provided by Italian Legislative Decree No. 239 in respect of the Notes will be met by the relevant foreign intermediaries.

The regime provided by Decree No. 239 and in particular the exemption from withholding tax, which is in principle granted to holders of the Notes who are the beneficial owners of the proceeds from the Notes (or, if the holders are institutional investors not subject to tax, even if they are not the beneficial owners of the Notes) and who are resident in a country or territory included in the White List, applies if certain procedural requirements are met. It is not possible to assure that all non-Italian resident investors can claim the application of the withholding tax

exemption where the relevant foreign intermediary fails to comply with the procedural rules set for the application of the exemption regime or fails to provide sufficient information to the relevant Italian tax authorities under the procedures set for applying the exemption regime. See "*Tax Considerations—Certain Italian Tax Considerations*."

Italian withholding taxes or deduction may be payable on amounts paid by the Guarantor.

Under a certain interpretation, payments made to non-resident entities without an Italian permanent establishment to which the Notes are effectively connected by the Guarantor may be subject to Italian withholding taxes or deduction of taxes. The possible imposition of withholding taxes or deduction of taxes with respect to payments on the Notes and the resulting obligation to pay additional amounts to noteholders could have a material adverse effect on our financial condition and results of operations.

The transfer of the Notes is restricted, which may adversely affect their liquidity and the price at which they may be sold.

The Notes are being offered and sold pursuant to an exemption from registration under the Securities Act and applicable state securities laws of the United States. The Notes have not been and will not be registered under the Securities Act or any state securities laws. Therefore, you may not transfer or sell the Notes in the United States except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws, or pursuant to an effective registration statement, and you may be required to bear the risk of your investment in the Notes for an indefinite period of time. The Notes and the Indenture will contain provisions that restrict the Notes from being offered, sold or otherwise transferred except pursuant to the exemptions available pursuant to Rule 144A and Regulation S under the Securities Act, or other exemptions under the Securities Act. In addition, by acceptance of delivery of any Notes, the holder thereof agrees on its own behalf and on behalf of any investor accounts for which it has purchased the Notes that it shall not transfer the Notes in an aggregate principal amount of less than €100,000. Furthermore, we have not registered the Notes under any other country's securities laws and do not have any intention to do so. It is your obligation to ensure that your offers and sales of the Notes within the United States and the other countries comply with applicable securities laws. See "*Notice to Investors*."

Use of proceeds

We expect the aggregate principal amount from the Offering of the Notes will be approximately €350.0 million.

The Refinancing

We intend to use the gross proceeds along with cash on balance sheet of the Issuer as follows: (i) €333.9 million will be used to redeem the aggregate principal amount of the outstanding CMF Existing Notes, (ii) to replenish cash on hand that was used to repay the Existing Revolving Credit Facility on December 31, 2020 for an amount of €50.0 million (the Existing Revolving Credit Facility is expected to be canceled on or about the Issue Date), (iii) €15.0 million will be used to pay the redemption premium in respect of the CMF Existing Notes, assuming a redemption and repayment date of December 15, 2020 and (iv) the remainder of the proceeds will be used to pay certain fees and expenses in connection with the Refinancing. See "*Capitalization*" and "*Description of certain financing arrangements*."

We are considering making a sale of receivables under one of our uncommitted recourse (*pro solvendo*) factoring facilities in the amount of between €10 to €15 million which could occur on or about the Issue Date.

The following table shows the sources and uses of funds related to the Refinancing, including the use of proceeds from the Offering. Actual amounts will vary from estimated amounts depending on several factors, including the timing of the Offering, estimated costs, fees and expenses and the timing of the redemption of the CMF Existing Notes.

Sources of funds		Uses of funds	
(€ in millions)			
Notes offered hereby[1]	€350.0	Redemption of the outstanding CMF Existing Notes[3]	€333.9
Cash on balance sheet[2]	€ 54.0	Repayment of the drawings under the Existing Revolving Credit Facility[4]	€ 50.0
		Costs related to redemption premium of the CMF Existing Notes[5]	€ 15.0
		Estimated fees and expenses[6]	€ 5.1
Total sources	**€404.0**	**Total uses**	**€404.0**

(1) Assumes an issuance at par.

(2) Represents a portion of the cash on balance sheet as of September 30, 2020. See "*Capitalization*."

(3) Represents the aggregate principal amount of the CMF Existing Notes outstanding as of September 30, 2020, to be redeemed on or about January 28, 2021 following the delivery of a notice of redemption in respect thereof.

(4) Represents the aggregate principal amount of drawings outstanding under the Existing Revolving Credit Facility. We repaid the entire amount outstanding under the Existing Revolving Credit Facility on December 31, 2020 with cash on hand. The Existing Revolving Credit Facility is expected to be canceled on or about the Issue Date. This figure excludes accrued interest and break costs in respect of the Existing Revolving Credit Facility. A new Revolving Credit Facility for up to €75.0 million of senior secured revolving credit was entered into on January 20, 2021. See "*Description of certain financing arrangements—Revolving Credit Facility*."

(5) This figure reflects the redemption premium of 104.500% in respect of the CMF Existing Notes, but excluding accrued and unpaid interest from December 15, 2020 to January 28, 2021 in the amount of €3.6 million (this figure also excludes €6.3 million in interest that accrued from September 15, 2020 to December 15, 2020 and that was paid on December 15, 2020, a regularly scheduled interest payment date).

(6) Represents certain estimated fees and expenses associated with the Refinancing. Actual fees and expenses may vary.

For additional information, see "*Summary—The Refinancing*," "*Capitalization*," "*Description of certain financing arrangements*," "*Description of the Notes*" and "*Management's discussion and analysis of financial condition and results of operations—Liquidity and capital resources*."

Capitalization

The table below sets out the Issuer's cash and cash equivalents and current financial assets and capitalization as of September 30, 2020, adjusted to reflect the effects of the Refinancing. We have prepared the information presented in the "As adjusted" column for illustrative purposes only. Such information addresses a hypothetical situation and, therefore, does not represent our actual financial position or results. Consequently, such information and resulting adjustments may not be indicative of our total capitalization as of the date of this Offering Memorandum, or any other prior date. Investors are cautioned not to place undue reliance on this hypothetical information.

The historical consolidated financial information as of September 30, 2020 has been derived from the Unaudited Interim Condensed Consolidated Financial Statements prepared in accordance with International Accounting Standards 34 included elsewhere in this Offering Memorandum.

This table should be read in conjunction with "*Use of proceeds*," "*Management's discussion and analysis of financial condition and results of operations*," "*Description of certain financing arrangements*," "*Description of the Notes*" and the financial statements and the accompanying notes of the Issuer appearing elsewhere in this Offering Memorandum. Except as set forth below, there have been no other material changes to the Issuer's capitalization since September 30, 2020.

	As of September 30, 2020	
(millions of €)	**Actual**	**As adjusted**
Cash and cash equivalents	110.9	56.9[9]
Current financial assets[1]	7.1	7.1
Gross Debt		
Notes offered hereby[2]	—	350.0
CMF Existing Notes[3]	333.9	—
Revolving Credit Facility[4]	50.0	—
Recourse factoring[5]	13.2	13.2
Financial Leases[6]	6.5	6.5
Operating Leases[6]	39.8	39.8
Other debt[7]	12.0	12.0
Total Gross debt	**455.4**	**421.5**
Total shareholders' equity	**70.1**	**70.1**
Total capitalization[8]	**525.5**	**491.6**

(1) Current financial assets refers primarily to cash owing to the Issuer from factoring counterparties following collection by them from customers who have made payment in dedicated accounts controlled by the factors. Such sums are generally paid to the Issuer by the factoring counterparty within 30 days of receipt of payment from the relevant customer.

(2) Represents the aggregate principal amount of the Notes offered hereby, assumes an issuance at par and without giving effect to issuance costs in accordance with IFRS 9.

(3) Represents the aggregate principal amount of the CMF Existing Notes (excluding accrued and unpaid interest) outstanding as of September 30, 2020, to be redeemed on or about the Issue Date following the delivery of a notice of redemption in respect thereof. Accrued and unpaid interest in respect of the CMF Existing Notes as of September 30, 2020 was €8.9 million. Premium in respect of the redemption is expected to be approximately €15.0 million reflecting a redemption price of 104.500%. Accrued and unpaid interest from December 15, 2020 to January 28, 2021 amounted to €3.6 million, whereas interest that accrued from September 15, 2020 to December 15, 2020 and that was paid on December 15, 2020, a regularly scheduled interest payment date, amount to €6.3 million.

(4) We repaid the entire amount outstanding under the Existing Revolving Credit Facility on December 31, 2020 with cash on hand. On or prior to the Issue Date, the Issuer intends to cancel the Existing Revolving Credit Facility. On January 20, 2021, the Issuer entered into the Revolving Credit Facility for up to €75.0 million in revolving credit. See "*Description of certain financing arrangements—Revolving Credit Facility*." The Revolving Credit Facility will be secured by first-ranking security over the same Collateral that will secure the Notes offered hereby and an additional special lien ("*privilegio speciale*") over certain movable assets of the Issuer. The Revolving Credit Facility is expected to be undrawn as of the Issue Date.

(5) Represents receivables sold under recourse factoring arrangements accounted for in our financial statements, so long as any receivables are still outstanding and in the amount from to time to time outstanding. We are considering making a sale of receivables under one of our uncommitted recourse (*pro solvendo*) factoring facilities in the amount of between €10 to €15 million which could occur on or about the Issue Date. Such potential sale of receivables on a recourse basis and the corresponding increase in our indebtedness are not reflected in the adjusted column above. See "*Description of Certain Financing Arrangements—Factoring facilities*."

(6) For additional information see "*Description of certain financing arrangements—Leasing—Financial leasing*" and "*Description of certain financing arrangements—Leasing—Operating leasing*."

(7) Represents certain term loans, current bank overdrafts and reverse factoring. See "*Description of certain financing arrangements—Bilateral facilities*" and "*Description of certain financing arrangements—Reverse factoring*."

(8) Total capitalization is defined as the sum of Gross Debt and total shareholders' equity.

(9) Cash and cash equivalents have not been adjusted to give effect to any current or future payment obligations of the Group relating to the enforcement of performance and bid bonds in connection with the CONSIP School Contracts Litigation or to the payment obligations (in installments) in respect of the FM4 legal proceeding. See "*Business—Legal Proceedings—CONSIP School Contracts Litigation*."*Pro forma* cash and cash equivalents have not been adjusted for accrued interest and break costs in respect of the Existing Revolving Credit Facility and accrued and unpaid interest on the CMF Existing Notes from December 15, 2020 to January 28, 2021 in the amount of €3.6 million (this figure also excludes the €6.3 million in interest that accrued from September 15, 2020 to December 15, 2020 and that was paid on December 15, 2020, a regularly scheduled interest payment date). Additionally, cash and cash equivalents have not been adjusted for certain other payments since September 30, 2020, such as payment in respect of the deferred purchase price for the Naprzód Group. See "*Management's discussion and analysis of financial condition and results of operations—Contractual commitments and obligations*."

Selected historical financial information

The following tables present the Issuer's selected consolidated financial information as of and for each of the years ended December 31, 2017, 2018 and 2019 and as of and for the nine months ended September 30, 2019 and 2020. This selected financial information is derived from the Audited Consolidated Financial Statements and the Unaudited Interim Condensed Consolidated Financial Statements.

See "*Presentation of financial information*" for a discussion of the changes in our scope of consolidation and changes in accounting standards and accounting policies adopted during the periods under review as well as definitions of certain non-IFRS financial measures used in this Offering Memorandum. The following tables should also be read in conjunction with the information contained in "*Use of proceeds*," "*Capitalization*," "*Management's discussion and analysis of financial condition and results of operations*" and the financial statements and related notes included elsewhere in this Offering Memorandum.

Selected consolidated statement of income

(thousands of €)	For the year ended December 31, 2017	2018	2019	For the nine months ended September 30, 2019[1]	2020[2]
Total revenue	**918,091**	**949,882**	**1,007,082**	**691,565**	**772,864**
Costs of raw materials and consumables	(119,742)	(140,144)	(162,881)	(109,598)	(132,123)
Change in inventories of finished and semi-finished products	—	43	1,142	1,063	1,291
Costs for services and use of third-party assets	(328,258)	(325,258)	(318,581)	(218,760)	(235,885)
Personnel costs	(382,138)	(392,548)	(419,090)	(289,996)	(313,267)
Other operating costs or gains	(281)	(6,660)	(8,954)	(5,247)	(9,975)
Minor costs related to labor capitalized internally	935	4,140	2,827	2,188	1,059
Amortization/depreciation, write-downs and write-backs of assets	(30,280)	(31,122)	(37,789)	(27,122)	(29,912)
(Accrual)/reversal to provisions for risks and charges	(143)	(2,584)	(4,270)	(1,436)	(87,432)
Total operating costs	**(859,907)**	**(894,133)**	**(947,596)**	**(648,908)**	**(806,244)**
Operating income	**58,184**	**55,749**	**59,486**	**42,657**	**(33,380)**
Share of net profit of associates	(1,945)	1,466	(92)	338	(6,689)
Dividends and net income/(loss) from sale of investments	175	(843)	340	782	147
Financial income	3,762	1,597	3,796	2,573	1,939
Financial expenses	(43,125)[3]	(33,544)[3]	(45,040)	(33,558)	(37,115)
Gains/(losses) on exchange rate	(326)	(156)	(184)	5	194
Profit/(loss) before taxes from continuing operations	**16,725**	**24,269**	**18,306**	**12,797**	**(74,904)**
Income taxes	(16,010)	(8,426)	(14,956)	(8,281)	(9,994)
Profit/(loss) after taxes from continuing operations	**715**	**15,843**	**3,350**	**4,516**	**(84,898)**
Profit after taxes from discontinued operations	—	—	—	1,347	2,170
Profit/(loss) for the year/period	**715**	**15,843**	**3,350**	**5,863**	**(82,728)**
Attributable to:					
Equity holders of the parent	642	15,734	3,285	5,712	(84,142)
Non-controlling interests	73	109	65	151	1,414

(1) Restated, in accordance with IFRS 5, for the Gruppo Sicura disposal, as presented in the comparative data to the income statement in the Unaudited Interim Condensed Consolidated Financial Statements for the nine months ended September 30, 2020.

(2) Excludes the results of Yougenio for the nine months ended September 30, 2020. See "*Presentation of financial information—Changes in our scope of consolidation—Dispositions*."

Selected consolidated statement of financial position

(thousands of €)	As of December 31, 2017	2018	2019	As of September 30, 2020
Assets				
Property, plant and equipment	65,564	67,991	79,345	78,781
Property, plant and equipment under lease	5,779	5,984	47,146	44,794
Goodwill	370,363	407,622	387,778	390,048
Other intangible assets	25,169	25,634	26,823	21,510
Investment accounted for under the equity method	27,294	19,207	10,376	9,680
Other investments	4,757	4,905	4,957	6,958
Non-current financial assets	11,369	5,662	4,819	4,454
Other non-current assets	2,998	2,897	97,801	6,094
Deferred tax assets	16,383	15,017	16,026	15,810
Total non-current assets	**529,676**	**554,919**	**675,071**	**578,129**
Inventories	6,057	7,421	7,910	10,235
Trade receivables and advances to suppliers	429,165	417,930	412,572	435,290
Current taxes receivables	8,745	14,658	10,090	11,799
Other current assets	30,842	22,320	31,054	29,212
Current financial assets	1,870	5,532	4,819	7,130
Cash and cash equivalents	59,870	94,733	97,143	110,873
Total current assets	**536,549**	**562,594**	**563,588**	**604,539**
Assets classified as held for sale	—	—	70,500	—
Total assets	**1,066,225**	**1,117,513**	**1,309,159**	**1,182,668**
Liabilities				
Employee termination indemnity	15,519	14,730	12,443	11,251
Provisions for risks and charges, non-current	27,624	25,189	25,439	105,889
Total long-term financial liabilities	175,281[4]	361,687	396,759	367,811
Deferred tax liabilities	12,294	14,525	16,393	16,378
Other non-current liabilities	86	660	551	60
Total non-current liabilities	**230,804**	**416,791**	**451,585**	**501,389**
Provisions for risks and charges, current	6,711	6,948	6,392	9,344
Trade payables and advances from customers	393,022	399,602	405,950	382,023
Current tax payables	326	954	1,280	3,188
Other current liabilities	93,415	90,360	192,465	104,084
Bank borrowings including current portion of long-term debt, and other financial liabilities	43,165	37,366	71,830	112,590
Total current liabilities	**536,639**	**535,230**	**677,917**	**611,229**
Liabilities directly associated with assets classified as held for sale	—	—	26,851	—
Total liabilities	**767,443**	**952,021**	**1,156,353**	**1,112,618**
Total shareholders' equity	298,782	165,492	152,806	70,050
Total equity and liabilities	**1,066,225**	**1,117,513**	**1,309,159**	**1,182,668**

(3) As the Merger's statutory, accounting and tax effects were applicable as of July 1, 2018, the financial expenses line item to the Issuer's consolidated income statement for the years ended December 31, 2017 and 2018 do not reflect the full interest charges associated with the CMF Existing Notes. See "*Presentation of financial information—The Merger and interest expense for the year ended December 31, 2018*."

(4) The CMF Existing Notes were issued into escrow on July 6, 2017, and the net proceeds used upon release from escrow on October 13, 2017 to satisfy and discharge the MFM Notes. As CMF was outside of the scope of consolidation of MFM as of December 31, 2017, long-term financial debt as of December 31, 2017 includes the amount of the proceeds of the CMF Existing Notes on-lent to MFM through a proceeds loan, but not the aggregate principal amount of the CMF Existing Notes. See "*Management's discussion and analysis of financial condition and results of operations—Factors affecting the comparability of our results of operations—The Merger and interest expense for the year ended December 31, 2018.*"

Selected consolidated statement of cash flow

	As of and for the year ended December 31,			For the nine months ended September 30,	
(thousands of €)	**2017**	**2018**	**2019**	**2019**	**2020**
Cash flow from/(used in) operating activities	69,876	66,575	56,857	18,752	(9,143)
Cash flow from/(used in) investing activities	(31,504)	(21,339)	(35,578)	(17,693)	28,554
Cash flow used in financing activities	(153,494)	(9,942)	(18,816)	(20,100)	(5,297)
Change in cash and cash equivalents	(115,122)	35,295	2,463	(19,040)	14,115
Conversion differences in cash and cash equivalents		(432)	(53)	(7)	(384)
Cash and cash equivalents at the end of the year/period	59,870	94,733	97,143	75,686	110,873

Management's discussion and analysis of financial condition and results of operations

The following is a discussion and analysis of the Group's results of operations and financial condition based on our Audited Consolidated Financial Statements, including the notes thereto, and our Unaudited Interim Condensed Consolidated Financial Statements, including the notes thereto.

You should read this section together with the audited and unaudited consolidated financial statements described above, including the notes thereto, as well as the other financial information included in this Offering Memorandum. See "Presentation of financial information" for an explanation of the financial information contained in this "Management's discussion and analysis of financial condition and results of operations." A summary of the Group's critical accounting policies that have been applied to these financial statements is set out below under the caption "—Critical accounting policies."

The following discussion contains forward-looking statements based on assumptions about our future performance. Those statements are subject to risks, uncertainties and other factors that could cause our future results of operations or cash flows to differ materially from those expressed or implied in such forward-looking statements. Factors that could cause or contribute to such difference include, but are not limited to, those discussed below and elsewhere in this Offering Memorandum, particularly under "Risk factors" and "Forward-looking statements."

Overview

We are the leading provider of facility management services and a leading provider of laundering and sterilization services in Italy, with strong or developing positions in other countries, including Poland through the acquisition of the Naprzód Group, Turkey and France, and with a track record of success through continuous development and focus on delivering highly specialized essential services. We provide integrated facility management services ranging from building and plant maintenance, energy and cooling-related technical services, cleaning services and a variety of specialist services to healthcare providers. We benefit from strong market coverage and positioning in each market segment in which we operate. We serve a diverse range of over 1,500 customers, including public sector entities, healthcare services providers and private sector companies in Italy and in our international markets, supporting them in maintaining and improving the quality, efficiency and safety of their operations. Given the essential nature of the services we provide in the healthcare sector, we are a trusted partner to our customers navigating the challenges of the COVID-19 pandemic.

Our success draws on our long history dating back to 1938 when we began providing services to the Italian state-run railway network. Since 2003, when we were spun off from MSC, our controlling shareholder, to consolidate as an independent group, we have emerged as a multi-disciplinary provider covering most of the areas of facility management and laundering and sterilization services. For example: (i) in the healthcare sector, we provide laundering of linens, sterilization of surgical instruments and management of pharmaceutical logistics, all of which are essential services for the continued adequate care of patients and support our customers' continuity of operations during the COVID-19 pandemic, (ii) in the public sector, we provide daily cleaning, heating and plumbing systems maintenance and landscaping for public schools, state buildings and museums that allow them to receive visitors and users, and (iii) in the private sector, we maintain diverse retail and office spaces and telecommunications towers for our customers which keep their operations running smoothly.

Manutencoop Società Cooperativa, our controlling shareholder, holds 100% of our share capital and has helped us to focus on our core offering and our targeted international expansion. On July 2, 2018, we rebranded from Manutencoop Facility Management to Rekeep. This new brand identity was part of (i) a wider redefinition of the Group's organizational system focusing on the growth of internal resources, the promotion of young talent and an increasingly widespread

female presence at the highest levels of the Group and (ii) a repositioning of the Group for growth and development on an international level. Our new brand identity emphasizes our increased international orientation and our aim to continue to take care of the environment that people occupy and to improve their standards of living and working.

We position ourselves as a solution provider rather than a service provider as we are able to offer all of our services on a fully integrated basis and we leverage our deep understanding of our customers' businesses and industries and the regions in Italy where they do business to customize our services to their needs. Unlike many of our competitors, we deliver solutions by relying significantly on our own expertise and resources. We refer to this ability to implement our business strategy in support of our customers' objectives as a "make" rather than a "buy" approach, which we believe constitutes a key competitive advantage for us. With a headcount of more than 27,000 people, we believe we are the undisputed leader in the Italian facility management market as of the date of this Offering Memorandum.

For the twelve months ended September 30, 2020, we generated total revenue of €1,047 million and *Pro forma* Normalized EBITDA of €116.9 million, corresponding to an 11.2% *Pro forma* Normalized EBITDA margin as percentage of total revenue.

Service offering

We believe we distinguish ourselves through the quality and breadth of the services that we regularly provide to our customers and the custom solutions we can devise both for their facility management and laundering and sterilization needs. Facility management services can be divided into three broad areas: technical, infrastructural and entrepreneurial. We operate across all these three areas. As attested by our market shares and revenues, we particularly excel at providing a wide array of technical services, including technical maintenance and control engineering. Laundering and sterilization services are provided in Italy through Servizi Ospedalieri (and its subsidiaries) and in Turkey through EOS and they mainly involve rental and industrial laundering of bed linens, linen packaging and provision of mattresses as well as sterilization of linen and of surgical equipment.

In addition, we have strong capabilities in infrastructural services as demonstrated by our cleaning unit and we also provide certain support and digital services for enterprises. Recently, through our holding company Rekeep World, we have grown our business in the international "business to business" markets via acquisitions, including in Poland (through the acquisition of the Naprzód Group, leader in Poland for facility management in the healthcare sector) and organic growth, including in France and Turkey, thus leveraging our existing experience in the facility management and laundering and sterilization markets in Italy. Our international activities, which generated 11.7% of our total revenue for the twelve months ended September 30, 2020, along with a strong trend of organic growth characterized by an increased focus on the healthcare sector, fostered our backlog which totaled approximately €2,821 million as of September 30, 2020, an increase of €271 million as compared to September 30, 2019.

On an organizational level, we classify our services to our customers through two reporting segments: the Facility Management Segment which generated 85.9% of total revenues (gross of intra-group eliminations) and 68.2% of EBITDA in the twelve months ended September 30, 2020 and the Laundering and Sterilization Segment which generated 14.4% of total revenues (gross of intra- group eliminations) and 31.8% of EBITDA in the twelve months ended September 30, 2020.

In addition to our service offering, we also position ourselves as value-added partners to our customers, building long-standing relationships based on our industry experience in the public sector, healthcare and certain segments of the private sector such as telecommunications, retail and financial services. We believe we have become trusted providers of essential services to government agencies, healthcare services providers and larger private customers. We also believe that our ability to propose customized solutions, which allowed us to become exclusive providers of facility management and laundering and sterilization services for a number of such customers, has helped us increase or maintain our market share in recent years.

Principal factors affecting our results of operations

Macroeconomic factors

Demand and prices for our services are affected by economic conditions, including increases or decreases in gross domestic product, in the countries in which we operate, particularly in Italy where we have historically generated the majority of our revenues and which is expected to remain our core market. During the periods under review, the Italian GDP growth rate was 1.7% in 2017, 0.8% in 2018 and 0.3% in 2019 (source: World Bank). The Italian economy has increasingly shown significant signs of weakness in recent quarters, resulting in a general contraction in consumer spending, and this trend has been further exacerbated by the quarantine and other similar measures that were adopted by national governments to limit the spread of the COVID-19 pandemic during 2020. The Italian economy contracted sharply during the first half of 2020, recording a year-on-year contraction in GDP of 5.4% in the first quarter of 2020, thus entering a new recession, followed by a 12.8% year-on-year decrease in the second quarter of 2020, the largest year-on-year contraction of GDP since records began in 1995 (source: ISTAT) as the country was one of the hardest hit by the COVID-19 pandemic. Notwithstanding a rebound in the third quarter of the year with GDP growing by 16.1% cent as compared to the previous quarter, the year-on-year contraction from September 30, 2019 to September 30, 2020 amounted to 4.7%.

Fluctuations in macroeconomic conditions affect the demand for our services and pricing in our industry. As we provide healthcare services to customers whose activities are considered essential services by the government, such as telecommunication companies, large retailers and hospitals, we have received requests for extra services and supplies during the COVID-19 pandemic, including additional sanitization and cleaning of facilities, setting up of hospital wards and other non-routine maintenance activities. Conversely, our activity has decreased in the private domestic market and with public entities that are not operating in the healthcare sector, mainly due to the closure of offices, schools, museums, transportation operators and other commercial activities.

Despite the challenging macroeconomic conditions, the fact that we generate almost 59% of our revenue by providing healthcare services has helped to mitigate the difficult macroeconomic environment. The following presents a brief discussion of the macroeconomic factors and trends relevant to our business:

- a facility management market that has continued to display secular drivers of demand (See "*Industry—Drivers of demand for facility management and laundering and sterilization*");
- trend of increasing size for each single contract tendered by PSEs, coupled with a lower absolute number of tenders. These new, larger tenders require larger capacity, capabilities and geographical coverage by participants in a tender. With a dedicated team of public tender specialists across facility management and laundering and sterilization tenders, the considerable resources invested in technical evaluation and preparation of bids, the depth of our service offering and unique geographic coverage we believe that we are well-positioned to defend and/or gain market share. In addition, the increased use of framework agreements in tenders has allowed facility management operators access to a larger share of the market through the convergence of fragmented tenders;
- increased attention from the public administration to quality, rather than price only. Following the Italian government's public spending review process which led to significant price pressure in the market, we have experienced for the past three years a different trend of increased attention by tendering public administrations to the quality level of the tendered services, and less on their cost impact. We believe this trend benefits large multi-service providers like us, which tend not to participate, or prefer to limit their participation in, tenders whose awarding criteria are exclusively based on the economic terms of the offers;
- increased revenues from private customers. Over the past three years, the private sector, and in particular large enterprises, have increasingly contributed to our revenues in

absolute terms, while representing approximately 24.4% of our revenues on average for the periods under review;

- a stable level of delays in payments from our customers, for years 2017 to 2019 and for the nine months ended September 30, 2020; our DSOs as of December 31, 2017, 2018 and 2019 and as of September 30, 2020 were equal to: (i) 164 days, 169 days, 161 days and 163 days, respectively, including trade receivables sold pursuant to our factoring facilities and (ii) 157 days, 147 days, 135 days and 139 days, respectively, net of trade receivables sold pursuant to such factoring facilities;
- the increased focus on attention to spending containment conducted by the Italian government led to tighter control of the economic terms in the awarding of public tenders which reduced the revenue impact of certain tenders, notably in the cleaning and laundering segments, which affected our profitability. However, the effect of the spending review helped inform our strategy to concentrate on certain services while deemphasizing others, and the diversity of services we provide was a natural hedge in our exposure; and
- increasing scale and complexity of public sector tenders using centralized procurement centers. This has the effect of concentrating demand among PSEs and healthcare customers which leads to discounting in the marketplace, but can also allow larger players such as the Group to exploit economies of scale and better absorb fixed costs.

Increased outsourcing of facility management and growing backlog

In response to the difficult economy and in connection with a general trend toward outsourcing, increasing numbers of private companies, PSEs and healthcare customers have sought to outsource facility management activities in an effort to manage costs. As of December 31, 2017, 2018 and 2019 and as of September 30, 2020, our backlog amounted to €2,608 million, €2,599 million, €2,834 million and €2,821 million, respectively. In particular, our backlog increased by €235.0 million, or 9.0% as of December 31, 2019, compared to the previous year, primarily due to the effects of the consolidation of the Naprzód Group, which contributed approximately €196 million at such date.

As of December 31, 2019, backlog for healthcare, PSEs and private sector amounted to €2,182.2 million, €453.4 million and €198.4 million, respectively. Many of the service contracts we have in place with customers include service delivery and other interventions that span several financial years. We therefore use the measurement of backlog as a significant performance indicator for our business. Backlog serves to measure the total euro value of work to be performed in connection with services and projects for which we have signed contracts or in respect of which we have received binding commitments from customers, or other operations within our subsidiaries on a consolidated basis.

Backlog is associated with service contracts in both our Facility Management Segment and Laundering and Sterilization Segment, however, it did not include fire prevention and safety prior to the disposal of Gruppo Sicura. We have adopted the following criteria for including contracts in our backlog: (i) we include the value to the reference date of the assumed revenues that are expected to be received during the life of the contract; (ii) in the case of project companies, we include the relative percentage of revenues payable to the Group under the contract, but we do not include revenue of contracts entered into by non-consolidated entities that are not attributable to the Group (for example, contracts entered into by special purpose vehicles in which we hold non-controlling interests as well as contracts entered into by Roma Multiservizi are not included in the backlog, as the related revenue is not directly attributable to the Group); and (iii) we include only revenue for services or projects that is non-discretionary (i.e. we do not include any additional potential revenue that may accrue to us during the life of the contract) by the applicable contract, such as extraordinary services which typically represent a portion of our services. See "*Business—Backlog.*"

The healthcare sector remains our primary source of new contracts (representing 36.2%, 66.4% and 62.0% of all new contracts in each of 2017, 2018 and 2019, respectively), but we have also

been successful in obtaining new contracts from PSEs and private customers. PSEs accounted for 41.3%, 17.6%, and 21.2% in each of 2017, 2018 and 2019, respectively and Private customers accounted for 22.5%, 16.0% and 16.9% of new contracts in 2017, 2018 and 2019. Healthcare customer contracts represent the majority of our backlog and as such contracts are, in our experience, the longest in terms of average duration, our backlog affords us important medium-term and high-quality revenue visibility.

Stable and diversified customer base

Our business is characterized by stable relationships with our customers, some of which have been doing business with us since our establishment. As discussed below, we bid for contracts and manage our customer relationships differently depending on the category and size of the customer. The following table shows our total revenue by customer type for the years ended December 31, 2017, 2018 and 2019 and for the nine months ended September 30, 2019 and 2020.

	For the year ended December 31,						For the nine months ended September 30,			
(thousands of €, except percentages)	**2017**		**2018**		**2019**		**2019(*)**		**2020(*)**	
Total revenue by customer type		**% of revenue**		**% of revenue**		**% of revenue**		**% of revenue**		**% of revenue**
PSEs (excluding healthcare)	250,309	27.3%	249,056	26.2%	254,456	25.3%	181,185	26.2%	151,235	19.6%
Healthcare customers(1)	443,435	48.3%	465,355	49.0%	507,845	50.4%	359,748	52.0%	462,456	59.8%
Private sector customers	224,347	24.4%	231,197	24.3%	244,781	24.3%	150,632	21.8%	159,173	20.6%
Compensation for damages(2)	—	—	4,274	0.4%	—	—	—	—	—	—
Total revenue	**918,091**	**100.0%**	**949,882**	**100.0%**	**1,007,082**	**100.0%**	**691,565**	**100.0%**	**772,864**	**100.0%**

(*) Unaudited.

(1) Healthcare customers only includes PSEs involved in the healthcare sector and does not include the few private sector healthcare customers of the Group which are classified under private sector customers.

(2) Non-recurring. Compensation related to the damages suffered by Rekeep S.p.A. in connection with a tender launched by CONSIP in 2010.

Healthcare. Our healthcare customers are public healthcare services providers (i.e. hospitals), nursing or retirement homes or university hospitals. We focus on providing multiple services to our healthcare customers and we believe we distinguish ourselves from our competitors also through our expertise in the area of healthcare logistics, an area in which we have increasingly deployed our services during the course of the COVID-19 pandemic. Our healthcare contracts generally include multiple services (both in the facility management and in the laundering and sterilization area) and are typically awarded through public tenders, either administered bilaterally or increasingly by government procurement clearinghouses. The efforts of the Italian government to rationalize and centralize procurement practices have supported the increase in demand for services assigned through framework agreements, which has led to fewer but more sizeable tenders. We believe large multi-service providers like us have benefitted the most from this trend. Moreover, centralized tenders have allowed access to a larger number of smaller clients, increasing the size of the addressable market. Our healthcare contracts had an average duration of 4.8 years, calculated on the weighted average formula (annual value) taking into consideration contracts entered into in the years ended December 31, 2017, 2018 and 2019 and during the nine months ended September 30, 2020 (including both portfolio renewals and new business). Healthcare customer contracts, although they typically have the longest payment periods among our contracts, are generally the longest in duration, providing us with good revenue visibility, and typically generate the highest margins.

PSEs (excluding healthcare). PSE customers include regional, provincial and municipal governments as well as other public institutions. For PSE contracts, our specialized department reviews, analyzes and prepares the public tender bids in which we choose to participate with a focus on determining how we can competitively structure and price our offer. We focus on providing an integrated approach to facility management and laundering and, in particular, among other things, we leverage our expertise in the area of energy efficiency to extract cost savings for our customers and improve our operating margins. We concentrate on bidding for

the most complex projects for which there are fewer competitors and the relevant public tender is assigned on the basis of a combination of cost and quality. See "*Business—Customers and contracts—PSE and healthcare customer contracts*." Due to regulatory reasons discussed under "*Business—Regulation*," most PSE contracts cannot be automatically renewed; we must therefore compete in new public tenders upon the expiration of the relevant contract (which lasts approximately three years on average for integrated facility management services). Our PSEs contracts had an average duration of 3.5 years, calculated on the weighted average formula (annual value) taking into consideration contracts entered into in the years ended December 31, 2017, 2018 and 2019 and during the nine months ended September 30, 2020 (including both portfolio renewals and new business). We expect fewer but larger public tenders to be a likely development of austerity measures and ongoing public procurement reforms. We currently have a dedicated team of public tender specialists for our Facility Management Segment and our Laundering and Sterilization Segment. See also "*Risk factors—Risks related to our business—Our business could be adversely affected by the central role of centralized purchasing agencies in public procurement with regards to setting economic terms for our services or by ongoing initiatives to reform decentralization in Italy.*"

Private sector. Our private sector customers include large groups such as telecommunications service providers, private hospitals or healthcare facilities, banks, transportation operators or retailers. For large private sector customers, we focus on monitoring service delivery, achieving operational efficiencies and reducing costs per employee. Private sector contracts are generally shorter in length and can often contain automatic renewal clauses, which are typically utilized thus permitting us to benefit from long-term relationship with our customers. Our private sector contracts had an average duration of 1.5 years, calculated on the weighted average formula (annual value) for contracts entered into in the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2020 (including both portfolio renewals and new business). Because of their shorter duration, private sector contracts do not provide the same revenue visibility as healthcare or PSE contracts, but our private sector customers typically have shorter average payment periods and automatic or short-form renewals.

For further information regarding our contractual arrangements with the different categories of customers, see "*Business—Customers and contracts*."

Pricing pressures from customers; cost saving efforts

Pricing pressure has increased in recent years from all customers, particularly in the private sector, which has negatively contributed to our revenues. However, over time, we have re-defined our strategy to consolidate and further develop our historical core activities, with a particular focus on healthcare facility management, and have exited sectors which we have deemed not strategic for the Group, such as the photovoltaic plants, building activities, public lighting, business to consumer and lifting equipment maintenance sectors. In addition, we have implemented certain cost saving actions mainly related to the rationalization of our Group's structure and the focus on our core activities through the disposal of non-core services where we believe we did not have sufficient scale. We believe these initiatives, together with our size, leading market position and technical expertise (in terms of organization, training and IT systems, among other things) have increased our operational efficiency and have allowed us to contain our costs, thus giving us the economies of scale necessary to provide our services to customers at attractive prices, without significantly compromising our revenue generation and Normalized EBITDA margins. For the years ended December 31, 2017, 2018 and 2019, respectively, total revenue was equal to €918.1 million, €949.9 million and €1,007.1 million and our Normalized EBITDA margin was equal to 10.9%, 10.7% and 11.3%. For the twelve months ended September 30, 2020, we generated total revenue of €1,047.4 million and *Pro forma* Normalized EBITDA of €116.9 million, corresponding to an 11.2% *Pro forma* Normalized EBITDA margin as percentage of total revenue.

Costs structure

Personnel costs

Due to the nature of the services we provide, labor costs are a relevant element of our cost structure for our business activities. For certain of our PSEs and healthcare customer contracts, we are able to pass through part of the increases in our labor costs through the application of the statutorily imposed periodic adjustments which are tied to the consumer price index reported by ISTAT. See "*Business—Regulation—Public Tenders—Cost overruns and adjustments.*"

Italian labor regulations generally place limits on an employer's ability to flexibly manage payroll costs. In compliance with such labor regulations, we actively monitor our labor utilization using labor planning tolls and we adjust the working hours (i.e. reduce overtime) or work assignments (i.e. site/facility assignment) accordingly in order to maximize the labor productivity of our workforce. In addition, we also make active use of employee transfer provisions of the CCNL Multiservizi as described below and elsewhere in this Offering Memorandum as well as of employee leasing (*somministrazione di lavoro*).

Our personnel costs include wages and salaries, social security costs, employee leasing costs, employee benefits, directors' fees and other personnel expenses. These costs increase, therefore, as our employee headcount increases.

For the years ended December 31, 2017, 2018 and 2019, our total labor costs were €382.1 million, €392.5 million and €419.1 million, respectively. As a percentage of total revenue, our labor costs slightly decreased from 41.6% for the year ended December 31, 2017, to 41.3% for the year ended December 31, 2018, but increased again to 41.6% for the year ended December 31, 2019, largely due to the entry into the perimeter of the labor costs attributable to the Naprzód Group acquisition. For the nine months ended September 30, 2019 and 2020, respectively, our labor costs increased from €290.0 million to €313.3 million, or 41.9% and 40.4% as a percentage of total revenue.

As of September 30, 2020, we have recorded a provision of €11.3 million in relation to employment termination benefit (*Trattamento di Fine Rapporto* or *TFR*), in accordance with contractual and legal requirements, compared to €12.4 million as of September 30, 2019. Legislative Decree 252/05, effective January 1, 2007, established that each employer shall transfer any accruing TFR to either a complementary pension fund or the Italian social security fund (INPS), in accordance with each employee's preference. As a result, the amount that we recorded in our Financial Statements refers to liabilities accrued up to December 31, 2006 and excludes payments made to complementary pension funds or to INPS since January 1, 2007.

CCNL Multiservizi. When we win public or private tenders to provide services to certain buildings or assets, pursuant to applicable law, the existing employees that service such assets (previously employed by the outgoing services provider) may be transferred to us. For example, if we win a contract to provide facility management services for a customer's buildings, the cleaning, maintenance and grounds-keeping staff may be transferred to us pursuant to the CCNL Multiservizi. The price of the contract will include the necessary wages and social charges for such workers. As a result, we believe our startup costs are reduced by acquiring the employees knowledgeable about the particular buildings or assets. Conversely, if we lose a contract up for renewal or a contract expires, the workers servicing such buildings and assets are then shifted to the next service provider without further cost to us in most cases. For the years ended December 31, 2017, 2018 and 2019, we spent approximately €216.5 million, €229.4 million and €228.4 million, respectively, in costs for workers employed with these arrangements, equal to 69.1%, 73.8% and 81.8% of total labor costs of the Group for such periods, respectively. See also "*Business—Employees and labor arrangements—Transfer of employees.*"

Employee leasing. Employee leasing is a method of contracting workers on a permanent or temporary basis in accordance with Italian Legislative Decree No. 276/2003. Generally our leased employees are employees of MSC. As of September 30, 2020, 348 persons, representing approximately 1.3% of our workforce were permanent employees of MSC and members of the

cooperative. These employees are leased to us for fixed periods of time, during which they work full-time for our group. These employees typically consist of our middle and senior management. The remaining part of our temporary employees are directly employed by the Issuer and typically work on a part time basis during times of peak activity, including due to seasonal variations. These temporary employees are generally laborers.

The wage costs to the Issuer relating to leased employees of MSC is comparable to the wage costs of hiring employees directly, except that the Issuer pays an additional service fee and training contribution for leased employees, which management estimates increases the costs of such leased employees by approximately 6.5% compared to employees hired directly. However, we believe the additional flexibility provided by the employee leasing arrangement more than offsets the additional cost. For the years ended December 31, 2017, 2018 and 2019, we spent €30.4 million, €32.6 million and €30.9 million, respectively, on employee leasing from MSC, representing 3.3%, 3.4% and 3.1% of our respective revenues for the same periods. See also "*Business—Employees and labor arrangements—Employee leasing.*"

Costs for services and use of third-party assets. For many of our contracts, we agree to provide services for which it is preferable (for reasons of cost, convenience and/or expertise) for us to hire a subcontractor to provide such services. In this case, these costs are recorded as "costs for services and use of third-party assets." For the years ended December 31, 2017, 2018 and 2019, costs for services and use of third-party assets were €328.3 million, €315.5 million and €318.6 million, respectively.

Productivity ratio. On a consolidated basis we calculate the "productivity ratio" of our Group, which is the ratio (expressed as a percentage) between total revenue and the sum of costs relating to internal and external personnel used in production activities (i.e. total personnel costs, cost of services rendered by third parties, cost of services rendered by consortia and professional services). We believe this ratio is an important guide to our profitability. For the years ended December 31, 2017, 2018 and 2019, our productivity ratios were 141%, 144% and 147%, respectively, which demonstrates an increase of our total revenue in relation to a different composition of our operating costs as well as a reduction of costs for external personnel and professional services.

Seasonality and working capital fluctuations

Our net working capital requirements remain generally stable quarter by quarter, with certain peaks in the first quarter as a result of payments to suppliers (in particular energy) and in the third quarter as a result of payment to employees of an extra month's salary as well as payments of tax. In addition, net working capital requirements are lowest during the fourth quarter, when we focus on cash collection for the year end. In order to better manage net working capital needs, we utilize factoring facilities to transfer trade receivables for cash. See "*Risk factors—Risks related to our business—An increase in DSOs and other factors may negatively affect our working capital and lead us to experience liquidity constraints*." As discussed further below (see "*—Trade receivables*"), DSOs (which include trade receivables sold pursuant to factoring facilities) remained substantially stable in the period from 2017 to 2019.

Fewer but larger public tenders

Over past five years, a general trend has emerged towards a lower number of public tenders by PSEs and healthcare customers, with each such public tender having, however, a higher value and requiring an increased geographical coverage.

We believe that this shift is due to efforts by the Italian government, Italian PSEs and healthcare entities to rationalize and centralize procurement practices, in many cases channeling such public tenders through certain public administration purchasing clearinghouses, including CONSIP and other regional procurement committees such as Intercenter, which has supported the increase in demand for services assigned through framework agreements (as opposed to more traditional tenders launched by local public administrations), thus favoring large multi-service providers like us. On the other hand, centralized tenders have allowed access to a larger number of smaller

clients, potentially increasing the size of our addressable market. We believe that our technical abilities and our size will allow us to potentially take advantage of this trend. Given the greater relevance of each single tender we have observed a marked increase in litigation by bidding parties that have challenged the validity of public tender processes in which the Group has prevailed. When competitors raise claims before local administrative courts ("**TAR**") to challenge the award to us of a contract pursuant to a public tender, it delays the Group's ability to begin works and lengthens the time in which our backlog can be converted into actual revenue (whereas in certain cases we are allowed to begin works even if a claim by a competitor is still pending). However, we believe TAR litigation of this type generally proceeds faster than complex commercial litigation in front of civil courts. The focus on costs by many customers and their increased bargaining power, given the larger size of many tenders, have required us to accept discounts in order to be awarded certain contracts.

Trade receivables

The effects of the challenging economic and political conditions in Italy as a result of the ongoing spread of the COVID-19 pandemic are still to be assessed. Due to our focus on payment collections and streamlining of internal procedures within the Group, in the period from 2017 to 2019 we managed to maintain DSOs (which include trade receivables sold pursuant to factoring facilities) substantially stable, from 164 days in 2017, to 169 days in 2018, and to 161 days as of December 31, 2019. DSOs have slightly increased again to 163 days as of September 30, 2020, mainly as a result of the COVID-19 pandemic. Net of trade receivables sold pursuant to our factoring facilities, DSOs as of December 31, 2017, 2018 and 2019 and as of September 30, 2020 were equal to 157 days, 147 days, 135 days and 139 days, respectively. We believe that the increase of DSOs in the third quarter of 2020 is partially a temporary effect of the COVID-19 pandemic and we expect this trend to be reversed when the effects of the COVID-19 pandemic dissipate. However, we can give no assurance that delinquent payments or non-payment by our customers will not increase, as the continuing effects of the COVID-19 pandemic remain uncertain at the time of the Offering Memorandum. Pursuant to our procedures, we do not consider as "impaired" trade receivables from our customers which are not paid within the contractual term, unless we have other evidence that the receivable is doubtful.

We estimate that in 2019 the average payment period for our private customers, PSE customers and healthcare customers was approximately 145 days, 138 days and 179 days, respectively. We experienced a 5.0% decrease in the amount of trade receivables that were overdue by at least 91 days from 2019 to 2018 and a 16.2% decrease in the amount of trade receivables that were overdue by at least 91 days from 2018 to 2017. Our allowance for doubtful accounts was €30.5 million as of December 31, 2019, representing 7.7% of our total trade receivables (this amount decreased to €30.2 million as of September 30, 2020, representing 6.9% of our total trade receivables).

In connection with our contractual obligations to our healthcare customers, PSEs and other clients, we must make payments to our employees, sub-contractors and suppliers for labor, supplies and equipment; typically we must make such payments even if our PSEs or healthcare customers have not yet paid us for services already rendered, which adversely affects our working capital. Because of difficulties in promptly collecting payments contractually due to us, we have historically financed part of our working capital through bank loans and by selling trade receivables on a non-recourse basis through factoring transactions. Non-recourse factoring allows us to reduce the trade receivables balance: as of December 31, 2017, 2018 and 2019, total trade receivables outstanding in our factoring facilities (without recourse to the Group) were equal to €19.3 million, €60.3 million and €75.1 million, respectively. These factoring facilities effectively support our working capital. They do not however lower our DSOs, given that for the calculation of DSOs we add to the trade receivables the amount referred to trade receivables sold pursuant our non-recourse factoring programs and recourse sales of receivables do not lower our trade receivables. Net of trade receivables sold pursuant to our factoring programs, our DSOs as of and for the years ended December 31, 2017, 2018 and 2019 and as of and for the nine months ended September 30, 2020 stood at 157 days, 147 days, 135 days and 139 days, respectively. In the nine

months ended September 30, 2020, we sold without recourse €197.9 million in receivables, while the amount of outstanding trade receivables sold under factoring non-recourse facilities but not yet collected by the factor was equal to €73.0 million.

Extended payment periods in Italy have required us to incur certain costs to finance our working capital requirements, including from: (i) the necessity to negatively adjust revenue to account for the late payments; (ii) the incurrence of costs related to short- and long-term bank financing and (iii) the incurrence of costs related to our factoring transactions.

Factors affecting the comparability of our results of operations

Changes in our scope of consolidation

During the periods under review, we completed certain dispositions and winding down of existing business units and also acquired certain businesses which were subsequently integrated into the Group that changed our scope of consolidation.

Dispositions

For the dispositions, these relevant companies and operating activities were deconsolidated during the year of the closing of the relevant disposition, with the effect that revenue, costs and results of operations of each disposed business were deconsolidated in the consolidated financial information of the Issuer and its subsidiaries from the date on which the control over the company was transferred to the buyers. In certain instances, such as when management committed to a plan to sell an asset or the sale of the asset was highly probable, in accordance with IFRS 5 (*Non-current Assets Held for Sale and Discontinued Operations*), our financial position and results of operations have been restated, meaning (i) the assets (or disposal group) held for sale were not depreciated, but measured at the lower of carrying amount and fair value less costs to sell, and presented separately in the statement of financial position, (ii) the sum of the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognized on the measurement to fair value less cost to sell or fair value adjustments on the disposal of the assets (or disposal group) was presented as a single amount on the face of the statement of comprehensive income, (iii) the results of operations of such assets (or disposal group) was identified as relating to discontinued operations and presented in that separate statement, and (iv) the net cash flows attributable to the operating, investing, and financing activities of a discontinued operation was separately presented on the face of the cash flow statement or disclosed in the notes.

On February 13, 2020, we entered into a binding agreement to sell the entire share capital of Sicura S.p.A. (Sicura S.p.A. and its subsidiaries, "**Gruppo Sicura**") to Argos Wityu, a pan-European private equity firm. Gruppo Sicura carried out the Group's business unit offering integrated services, products and systems for security management, environment and health and safety in the workplace. The disposal was completed on February 28, 2020. In accordance with IFRS 5, at the reporting date of the Audited Consolidated Financial Statements as of and for the year ended December 31, 2019, the value of the assets relating to Gruppo Sicura and the associated liabilities was reclassified as "Assets held for sale" and "Liabilities associated with assets held for sale". Additionally, in accordance with IFRS 5, Gruppo Sicura was reported as "Discontinued operations" in the Unaudited Interim Condensed Consolidated Financial Statements as of and for the nine months ended September 30, 2020 and therefore its results of operations were reported in a separate line item ("Profit/(loss) from discontinued operations") and the comparative results of operations for the nine months ended September 30, 2019 were restated and reclassified to the same income statement line item.

On September 22, 2020, Yougenio was formally placed in liquidation with the aim of completing this process as soon as possible. Wholly owned by the Issuer, Yougenio was estabilished in 2016 to provide services to private consumers through an e-commerce platform, thus permitting the Group to enter the B2C services market with a business plan that projected a period of start-up of operations until 2019. At the end of 2019, our management assessed the investment as non-strategic in this market segment as it did not show the expected synergies with the more

traditional facility management activities carried out by the Group. In May 2020, Yougenio's online services were suspended and work commenced to wind down operations, for which any and all possible options were considered for the Group's exit from the B2C and small accommodation facilities market. As Yougenio was placed in liquidation on September 22, 2020, the consolidation of Yougenio in the Unaudited Interim Condensed Consolidated Statements was carried out using the equity method and therefore the Group's operating results exclude the results of Yougenio for the nine months ended September 30, 2020. However, all historical financial information presented in this "*Management's discussion and analysis of financial condition and results of operations*" includes Yougenio for all periods prior to January 1, 2020.

Acquisitions

For the acquired businesses, these relevant companies and operating activities were consolidated during the year of their respective acquisitions' closing, with the effect that revenue, costs and results of operations of each acquired business were reflected in the Audited Consolidated Financial Statements from the date on which the control over the company was transferred to us. The following sets forth our most sizeable acquisitions completed under the periods under review:

- on February 28, 2018, we completed the acquisition of 1% of the issued and outstanding share capital of EOS (as defined herein), following which the Group gained control of EOS as 50% of its share capital was already held by Servizi Ospedalieri S.p.A. and therefore the company was fully consolidated on a line-by-line basis;
- on July 3, 2018, we completed the acquisition of 60% of the issued and outstanding share capital of Medical Device S.r.l., which was therefore fully consolidated on a line-by-line basis; and
- on August 2, 2019, we signed an agreement to acquire 80% of the issued and outstanding share capital of Naprzód; the acquisition closed on October 30, 2019 and the Naprzód Group was fully consolidated for accounting purposes as of November 1, 2019;

See Note 4 to the Audited Consolidated Financial Statements as of and for the years ended December 31, 2019 and 2018 for certain other non-material acquisitions completed during the periods under review.

The Merger and interest expense for the year ended December 31, 2018

On October 13, 2017, the parent company of the Issuer, Manutencoop Società Cooperativa ("**MSC**") undertook a corporate reorganization and refinancing of Group pursuant to which the equity holdings of all minority shareholders of MFM were purchased by MSC. As part of such transaction, MSC transferred the shares it held in MFM to a newly established holding company, CMF S.p.A. (such company, from its formation on May 25, 2017 through the date of the Merger (as defined below), "**CMF**") as the new direct parent of MFM. CMF was established for the purpose of issuing €360.0 million aggregate principal amount of 9.00% Senior Secured Notes due 2022 (the "**CMF Existing Notes**") issued on July 6, 2017, the net proceeds of which were used, upon the release of such proceeds from escrow on October 13, 2017, along with subordinated shareholder funding provided by MSC, to purchase 100% of the outstanding capital stock of MFM then held by the minority shareholders and repaying the other financial indebtedness of the Group, including MFM's €300.0 million aggregate principal amount of 8.50% Senior Secured Notes due 2020 (the "**MFM Notes**"). On July 1, 2018, CMF completed a merger by incorporation into the Issuer in accordance with Article 2501-*bis* of the Italian Civil Code (the "**Merger**"), as a result of which Rekeep S.p.A. became the issuer of the indebtedness under the CMF Existing Notes. As the Merger's statutory, accounting and tax effects were applicable as of July 1, 2018, (i) the CMF Existing Notes issued on July 7, 2017 are not reflected on the Issuer's statement of financial position as of December 31, 2017 (although the €175.9 million liability under the proceeds loan from CMF to MFM is reflected thereon, representing the portion of the net proceeds of the CMF Existing Notes on-lent to MFM to satisfy and discharge the MFM Notes on October 13, 2017), (ii) the financial expenses line item to the Issuer's consolidated income statement for the years ended December 31, 2017 and 2018 do not reflect the full interest

charges associated with the CMF Existing Notes (rather such line item prior to July 1, 2018 reflects the interest expenses associated with the proceeds loan from CMF to MFM which was in the amount of €175.9 million and, prior to October 13, 2017, the interest expense associated with the MFM Notes) and (iii) the consolidated statement of cash flows for the years ended December 31, 2017 and 2018 do not fully reflect the cash flow used in financing activities associated with the CMF Existing Notes (rather such line item prior to July 1, 2018 reflects the financing cash flow associated with the proceeds loan from CMF to MFM and, prior to October 13, 2017, the financing cash flow associated with the MFM Notes and certain other indebtedness of MFM repaid with a portion of the CMF Existing Notes).

To facilitate the review of this Offering Memorandum by investors, we present hereunder in this "*Management's discussion and analysis of financial condition and results of operations*" and certain other sections certain unaudited *pro forma* capsule information regarding interest expense associated with the CMF Existing Notes prepared for illustrative purposes only which is not intended to represent what our actual interest expense would have been had the Merger and related financing transactions occurred on January 1, 2018 nor does it purport to project our results of operation at any future date. Certain unaudited *pro forma* capsule information regarding interest expense associated with the CMF Existing Notes was prepared on certain assumptions and estimates that we believe are reasonable and investors are cautioned against placing undue reliance thereon. See also Note 3 to our Audited Consolidated Financial Statements as of and for the year ended December 31, 2018.

For the period from January 1, 2018 to July 1, 2018, CMF recorded €17,705 thousand in interest expense associated with the CMF Existing Notes, of which a portion was included in the Issuer's Audited Consolidated Financial Statements associated with interest expense on the proceeds loan. The amount not recorded in our financial statements was €8,679 thousand.

As a result of the foregoing, investors may find it more difficult to compare and discern trends in our results of operations and financial condition for the years ended December 31, 2017 and 2018 as compared to the year ended December 31, 2019.

First time adoption of IFRS 16 (Leases)

We adopted IFRS 16 (Leases) effective from January 1, 2019. As a result, leases (as lessee) that would have been classified in previous periods as operating leases are recognized in our consolidated statement of financial position as of December 31, 2019. Under the new standard, except for short-term or low-value leases, the right to use a leased asset is recognized as an asset with a corresponding financial liability for the present value of outstanding lease payments. Assets with a finite useful life are subject to impairment testing. We have adopted IFRS 16 under the "modified retrospective approach", under which the cumulative effect of the first-time adoption of the standard is reported as an adjustment to the opening balance of profits carried forward at January 1, 2019.

However, to foster comparability between the financial statements for the years ended December 31, 2019 and 2018, the Group, in the notes to the Audited Consolidated Financial Statements, presents the comparison between the major line items of the consolidated financial statements for the two financial years applying IFRS 16 starting January 1, 2018. The effects of the application of IFRS 16 to the December 31, 2018 audited consolidated financial statements are presented in a note to the Audited Consolidated Financial Statements and are reported elsewhere herein.

The tables presented in this "*Management's discussion and analysis of financial condition and results of operations*" present the financial data as of and for the year ended December 31, 2108 applying IFRS 16 from January 1, 2018.

The accounting effects of IFRS 16 resulted in the recognition of €42.9 million of lease liabilities as of December 31, 2019 (as compared to €48.6 million as of December 31, 2018 using the modified retrospective method).

As a result of the application of these new accounting standards and the associated impact on our consolidated financial statements, prospective investors should exercise particular caution when comparing our financial condition and results of operations as of and for the year ended December 31, 2017 to our financial condition and results of operations as of and for the years ended December 31, 2018 and 2019. See also "*—Effect of the IFRS 16 implementation on the consolidated financial statements for the year ended December 21, 2018*."

Factors affecting comparability of future results

The Refinancing

The Issuer will issue the Notes on the Issue Date. We estimate that the gross proceeds of the Notes will be €350.0 million. On or about to the Issue Date, the proceeds of the Offering will be used to effect the Refinancing, pursuant to which we will redeem the CMF Existing Notes and accomplish the Refinancing. See "*Summary—The Refinancing*" and "*Use of proceeds*." Accordingly, our financial condition and results of operations may differ from the historical financial condition and results of operations presented in this discussion as a result of the Refinancing.

Impact of COVID-19

At the end of 2019, the global COVID-19 pandemic has surfaced in nearly all regions around the world, resulting in governments in affected areas taking unprecedented steps to place restrictions on international, national and local travel and social gatherings, in each case leading to business slowdowns and shutdowns. In early June 2020, many countries around the world began easing restrictions, including in our markets, but many of these countries have since reversed their decisions through the imposition of new lockdown restrictions as new cases continue to emerge. We provide essential services for a variety of customers, particularly healthcare sector customers and, to a limited extent, PSEs and private sector customers who have remained in operation due to the essential services that they provide, including receiving the public at their premises. As a result of the COVID-19 pandemic, we expect customers to place greater attention in the selection of their outsourced partner for cleaning services. Demand for the services of our Laundering and Sterilization Segment is also expected to increase, reflecting the growing needs of our healthcare sector customers, which we expect will continue to outsource facility management functions as they focus on their core mission of healthcare delivery. However, we also expect that there will be certain decrease in revenues due to the reduction of traditional facility management activity, as a result of, *inter alia*, customers postponing non-essential or extraordinary interventions as well as closure of our customer's premises and transition to a remote work environment.

The results of operations of the Group for the nine months ended September 30, 2020, are consistent with the nine months ended September 30, 2019, as the increase in revenues in the healthcare sector as a result of COVID-19 was only partially offset by the decrease in revenues in the PSE and private sectors and by costs of purchasing additional raw materials to prepare surgical kits and specialist products (PPE).

Both the Issuer and its subsidiaries Servizi Ospedalieri and Medical Device S.r.l. received requests for additional services and supplies during the COVID-19 pandemic, including for additional sanitization and cleaning services, fitting out hospital wards, other non-routine maintenance services, supplying additional bed linen, and PPE. Therefore, we continued to operate without interruption, safeguarding our employees, hospital personnel, customers and others, in compliance with applicable regulations.

The decrease of our revenue from our PSE and private sector customers was primarily due to (i) non-healthcare customers curtailing or postponing their use of non-routine maintenance services due to partial or total closure of their office and retail locations, and (ii) the 'knock-on' effect on their operations from the closure of, *inter alia*, schools, museums, offices, and transportation services. We adopted solutions in order to limit the effects this decrease in demand, including through the use of governmental incentives and social shock absorber measures.

We expect the ultimate significance of the impact of the COVID-19 pandemic on our financial condition, results of operations, or cash flows will be dictated by whether there is a continued and ongoing resurgence in the spread of COVID-19 in Italy and the other countries where we operate, the length of time that such circumstances continue, and whether a vaccine becomes widely available.

Accordingly, our financial condition and results of operations will differ in respect of the current year and for future periods, when compared to the historical financial condition and results of operations presented in this discussion. See "*Forward-looking statements*," "*Summary—Recent Developments—Impact of COVID-19.*"

Explanation of income statement items

The following presents the explanation of our key line items from our income statements prepared in accordance with IFRS.

Total revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized.

Rendering of services. The following are the main services provided by the Group separately or as part of integrated service contracts: (i) management and maintenance of buildings and properties, usually combined with heat and cold energy service management; (ii) cleaning and environmental hygienic services; (iii) maintenance of green spaces; (iv) project management services; and (v) linen rental, industrial laundering and sterilization services. Revenues from rendering of services are recognized on the basis of the stage of completion of the contract. The recognition of revenue and expenses by reference to the stage of completion of a contract is often referred to as the percentage of completion method. Under this method, contract revenue is matched with the contract costs incurred in reaching the stage of completion, resulting in the reporting of revenue, expenses and profit which can be attributed to the proportion of work completed. The stage of completion is measured through the analysis of actual performance compared with estimated results with regard to certain parameters contractually agreed with the clients or particularly relevant for the type of services rendered (*e.g.*, square meters, hours and costs incurred, hospital days). Based on the application of the percentage of completion method, contract revenues are recognized as revenues in our income statement in the accounting periods in which the work is performed. Contract costs are usually recognized as an expense in our income statement in the accounting periods in which the work to which they relate is performed.

However, any expected excess of total contract costs over total contract revenue for the contract is recognized as an expense immediately. In the statement of financial position, trade receivables accounts include revenues and part of revenues completed, both invoiced and not yet invoiced.

If an arrangement includes multiple elements, for instance plant renovation and construction, revenues are recognized with consideration of the fees allocated to the various elements based on vendor-specific objective evidence of fair value, regardless of any separate prices stated within the contract for each element using percentage of completion methodology. When the contract outcome cannot be measured reliably, revenue is recognized only to the extent of the expenses incurred that are recoverable.

Revenues recognized in excess of the amount billed in accordance with the percentage of completion method are recognized in our income statement and are classified as "Work in progress on order" under the trade receivables balance in the statement of financial position. Otherwise, the amount billed in excess of the revenues recognized is classified as "Advance payments from customers" under the trade payables balance and the related revenues are not recognized in the income statement.

Recognition of revenues and costs from contracts with customers. We use the percentage of completion method to account for activities on long-term contracts for the building and improvement of properties or technological plants for which we perform construction work.

Sale of goods. Revenues from the sale of goods are recognized when the significant risks and rewards of ownership are transferred to the buyer, which is usually when such goods are sold.

Costs of raw materials and consumables

Costs of raw materials and consumables corresponds to the costs of procuring raw materials, consumables, supplies and goods related to different types of inputs, net of premiums, discounts and rebates granted by the suppliers, as applicable. Our fuel delivery commitments pursuant to Energy and HVAC management contracts include pass-through mechanisms, and by law our PSE and healthcare customer contracts must include price adjustments to enable us to pass-through increased fuel costs to our customers, either at the end of each quarter and according to reference prices published by ANAC, whereas CONSIP contracts include price adjustments three times a year.

Costs for services and use of third-party assets

Costs for services and use of third-party assets include the cost of the activities we subcontract to third parties, consortia services costs related to TJAs, equipment maintenance and repair, professional services, transportation costs, advertising and promotional costs, insurance and sureties expenses, utilities and personnel services.

Personnel costs

Personnel costs includes wages and salaries, social security costs, employee leasing costs, employee benefits (current, post-employment and termination), directors' fees and other personnel expenses. Wage adjustments in connection with contract renewals and those in ordinary course of operations, leading to increased personnel costs, are generally passed through to customers in connection with mandatory price adjustments in our contracts that are indexed to an ISTAT indicator, a component of which includes changes in consumer price index for families of workers and employees.

Amortization/depreciation, write-downs and write-backs of assets

Amortization/depreciation, write-downs and write-backs of assets refers to amortization of intangible assets (excluding goodwill), depreciation of property, plant and equipment, amortization of rights of use, write-downs of trade receivables, investments and intangible assets (including impairment of goodwill), as well as any write-back of assets.

(Accrual)/reversal to provisions for risks and charges

Accruals to provisions for risks and charges are made when the Group has to fulfill a current obligation (legal or constructive) resulting from a past event, when it is likely that an outflow of resources will be required to settle an obligation and the amount can be reliably estimated. These obligations can arise from, among other items, litigation, restructuring of businesses and other contingent liabilities. When the Group believes an allocation to the provision for risks and charges will be partially or fully reimbursed by a third-party (*e.g.*, in the event of risks covered by insurance policies) the compensation is recorded separately as an asset only if it is virtually certain. In such case, the cost of the relevant allocation net of the amount recorded for the compensation is recorded in the income statement. If the effect of discounting the value of money is significant, provisions are discounted using a pre-tax discount rate which reflects, where appropriate, the specific risks of the liabilities. When discounting is carried out, the increase in the provision due to the passing of time is recorded as a financial expense.

Financial expenses

Financial expenses include payments of interest under outstanding indebtedness (bank and other loans) as well as interest discounts on transfers of trade receivables.

Income taxes

Income tax is composed of current income tax expenses and deferred tax benefits or expenses (including tax losses and interest carry forward).

Italian corporations are subject to two different income taxes, the "**IRES**" and "**IRAP**."

As of January 1, 2017, IRES (corporate income tax) is levied at a theoretical rate of 24.0% (before such date, the applicable rate was 27.5%). The IRES taxable income is determined by adjusting the profit before taxes by adding any un-deductible costs and subtracting any tax reduction and/or tax credit according to Italian tax law. Article 96, Presidential Decree No. 917 of December 22, 1986, as recently amended by Legislative Decree No. 142 of November 29, 2018, allows for the full tax deductibility of interest expense incurred by a company in each fiscal year up to the amount of the interest income of the same fiscal year and the interest income carried forward from previous fiscal years. A further deduction of interest expenses in excess of this amount is allowed up to a threshold of 30% of the EBITDA (i.e. *risultato operativo lordo della gestione caratteristica*) ("**ROL**") of the same fiscal year as well as 30% of ROL carried forward from previous fiscal years. The ROL is calculated on the basis of the value of the items of the company's profit and loss account, which are comprised of the operating gross revenues and expenses (excluding depreciation of tangible and intangible assets, as well as leasing fees), as determined through the application of the tax rules concerning the determination of the corporate income taxable base. Interest expenses that are not deductible in a given fiscal year because they exceed the abovementioned thresholds may be indefinitely carried forward and deducted in the following fiscal years, up to the amount of the interest income and ROL capacity not used for interest expenses deductibility purposes in those following fiscal years. Any excess of interest income not utilized in a fiscal year (where interest expense is lower than interest income) can be carried forward indefinitely in the following fiscal years. Any excess of 30% ROL not used for the deduction of the amount of interest expense that exceeds interest income in a fiscal year can be carried forward, increasing the amount of ROL capacity for the following five fiscal years.

In the case of an Italian tax group (*consolidato fiscale nazionale*), interest expenses not deducted by an entity within the tax group due to lack of interest income or ROL can be deducted at the tax group level, within the limit of the excess interest income and excess of ROL of the other companies within the tax group.

IRAP (regional business tax) is a local tax levied on the value of production generated in each Italian region. Currently, IRAP is levied at a theoretical rate of 3.9% (which can be increased at a regional level). Taxable income for IRAP purposes is the net value of production that is approximately equal to operating income plus personnel cost, less the deduction of the permanent employee and the total amount of social security contribution costs (for certain holding companies interest income are also relevant as well as 96% of interest expenses). Up to the fiscal year ended December 31, 2014, company were allowed to partially deduct from the IRAP taxable base the costs related to (a) permanent female employees, and (b) the permanent male employees under 35 years old. Starting from the fiscal year ended December 31, 2015, the deduction of labor costs for IRAP purposes depends on the type of hiring contract. In particular, the costs related to employees hired with an open-ended contract are full deductible. Such deductions for companies conducting a labor-intensive business, with permanently employed staff, significantly reduced the IRAP.

Results of operation

The following table sets forth the Group's consolidated statement of income for the periods indicated. The financial information has been derived from the Audited Consolidated Financial Statements and the Unaudited Interim Condensed Consolidated Financial Statements included elsewhere in this Offering Memorandum. The consolidated statement of income data for the nine months ended September 30, 2019 presented in this table is restated for the application of IFRS 5 to account for the disposal of Gruppo Sicura and is derived from the comparative column reported in the unaudited interim condensed consolidated income statement for the nine months ended September 30, 2020.

Consolidated statement of income

	For the year ended December 31,						For the nine months ended September 30,			
	2017		2018[1]		2019		2019[2][*]		2020[*][3]	
(thousands of €, except percentages)		% of revenue		% of revenue		% of revenue		% of revenue		% of revenue
Total revenue	**918,091**	**100%**	**949,882**	**100%**	**1,007,082**	**100%**	**691,565**	**100%**	**772,864**	**100%**
Costs of raw materials and consumables	(119,742)	(13.0)%	(140,144)	(14.8)%	(162,881)	(16.2)%	(109,598)	(15.8)%	(132,123)	(17.1)%
Change in inventories of finished and semi-finished products	—	—	43	—	1,142	0.1%	1,063	0.2%	1,291	0.2%
Costs for services and use of third-party assets	(328,258)	(35.8)%	(315,541)	(33.2)%	(318,581)	(31.6)%	(218,760)	(31.6)%	(235,885)	(30.5)%
Personnel costs	(382,138)	(41.6)%	(392,548)	(41.3)%	(419,090)	(41.6)%	(289,996)	(41.9)%	(313,267)	(40.5)%
Other operating costs	(281)	—	(6,660)	(0.7)%	(8,954)	(0.9)%	(5,247)	(0.8)%	(9,975)	(1.3)%
Minor costs related to labor capitalized internally	935	0.1%	4,140	0.4%	2,827	0.3%	2,188	0.3%	1,059	0.1%
Amortization/depreciation, write-downs and write-backs of assets	(30,280)	(3.3)%	(39,080)	(4.1)%	(37,789)	(3.8)%	(27,122)	(3.9)%	(29,912)	(3.9)%
(Accrual)/reversal to provisions for risks and charges	(143)	—	(2,584)	(0.3)%	(4,270)	(0.4)%	(1,436)	(0.2)%	(87,432)	(11.3)%
Total operating costs	**(859,907)**	**(93.7)%**	**(892,374)**	**(93.9)%**	**(947,596)**	**(94.1)%**	**(648,908)**	**(93.8)%**	**(806,244)**	**(104.3)%**
Operating income	**58,184**	**6.3%**	**57,508**	**6.1%**	**59,486**	**5.9%**	**42,657**	**6.2%**	**(33,380)**	**(4.3)%**
Share of net profit of associates	(1,945)	(0.2)%	1,466	0.2%	(92)	—	338	—	(6,689)	(0.9)%
Dividends, net income/(loss) from sale of investments	175	—	(843)	(0.1%)	340	—	782	0.1%	147	—
Financial income	3,762	0.4%	1,597	0.2%	3,796	0.4%	2,573	0.4%	1,939	0.3%
Financial expenses	(43,125)	(4.7)%	(35,838)	(3.8)%	(45,040)	(4.5)%	(33,558)	(4.9)%	(37,115)	(4.8)%
Gains/(losses) on exchange rate	(326)	—	(156)	—	(184)	—	5	—	194	—
Profit/(losses) before taxes from continuing operations	**16,725**	**1.8%**	**23,734**	**2.5%**	**18,306**	**1.8%**	**12,797**	**1.9%**	**(74,904)**	**(9.7)%**
Income taxes	(16,010)	(1.7)%	**(8,277)**	(0.9)%	**(14,956)**	(1.5)%	(8,281)	(1.2)%	(9,994)	(1.3)%
Profit/(losses) after taxes from continuing operations	**715**	**0.1%**	**15,457**	**1.6%**	**3,350**	**0.3%**	**4,516**	**0.7%**	**(84,898)**	**(11.0)%**
Profit/(losses) after tax from discontinued operations	—	—	—	—	—	—	1,347	0.2%	2,170	0.3%
Net profit/(loss) for the year/period:	**715**	**0.1%**	**15,457**	**1.6%**	**3,350**	**0.3%**	**5,863**	**0.8%**	**(82,728)**	**(10.7)%**
Attributable to:										
Equity holders of the parent	642	0.1%	15,349	1.6%	3,285	0.3%	5,712	0.8%	(84,142)	(10.9)%
Non-controlling interests	73	—	108	—	65	—	151	—	1,414	(0.2)%

(1) Restated for the application of IFRS 16.

(2) Derived from the comparative column in the unaudited interim condensed consolidated income statements for the nine months ended September 30, 2020.

(3) Excludes the results of Yougenio for the nine months ended September 30, 2020. See "*—Factors affecting the comparability of our results of operations—Changes in our scope of consolidation—Dispositions*."

(*) Unaudited.

Segment reporting

We organize, manage and report the following two segments under IFRS 8:

- Facility Management Segment; and
- Laundering and Sterilization Segment.

Our Facility Management Segment, as further described under "*Business*," includes the activities that we carry out in international markets, including Poland, France, and Turkey. It also includes the following activities: Cleaning, Technical services, Landscaping and Other facility management services. Along with the traditional Facility Management activities, we offer certain specialized services, including mail services and document management. In the year ended December 31, 2019 and for the twelve months ended September 30, 2020, our Facility Management Segment generated €873.7 million and €900.1 million in revenue, respectively, or 86.8% and 85.9%, respectively, of our total revenue (gross of intra-group eliminations).

Our Laundering and Sterilization Segment, as further described under "*Business*," includes only such eponymous activities. In the year ended December 31, 2019 and for the twelve months ended September 30, 2020, our Laundering and Sterilization Segment generated €135.9 million

and €150.7 million, respectively, or 13.5% and 14.4%, respectively, of our total revenue (gross of intra-group eliminations).

Our consolidated financial statements also present a geographical breakdown of our total revenue. Although revenues generated outside of Italy have not been historically material, our presence abroad has grown including as a result of our acquisition of a majority shareholding in the Naprzód Group, a leading operator in the healthcare market for soft facility management services in Poland which we acquired in October 2019. Our total revenue generated outside of Italy increased from €1.1 million for the year ended December 31, 2017 to €6.8 million for the year ended December 31, 2018, primarily due to an increase of the revenue from our activities in Turkey and France. Revenue generated outside of Italy further increased from €6.8 million for the year ended December 31, 2018 to €31.7 million for the year ended December 31, 2019, mainly due to the consolidation for the last two month of the year of the results of the Naprzód Group. Revenue generated outside of Italy further materially increased to €99.4 million for the nine months ended September 30, 2020, compared to €6.6 million for the nine months ended September 30, 2019, as a result of the full consolidation for the entire period of the results of the acquired Naprzód Group.

The following table shows our total revenue by sector for the years ended December 31, 2017, 2018 and 2019 and for the nine months ended September 30, 2019 and 2020.

	For the year ended December 31,						For the nine months ended September 30,			
	2017		2018		2019		2019(*)		2020(*)	
Total revenue by Segment (thousands of €, except percentages)		**% of revenue**		**% of revenue**		**% of revenue**		**% of revenue**		**% of revenue**
Facility Management Segment	790,346	86.1%	824,966	86.8%	873,715	86.8%	592,772	85.7%	660,238	85.4%
Laundering and Sterilization Segment	130,515	14.2%	127,443	13.4%	135,886	13.5%	100,685	14.6%	115,494	14.9%
Intra-group eliminations	(2,770)	(0.3)%	(2,527)	(0.3)%	(2,519)	(0.3)%	(1,892)	(0.3)%	(2,868)	(0.3)%
Total revenue	**918,091**	**100.0%**	**949,882**	**100.0%**	**1,007,082**	**100.0%**	**691,565**	**100.0%**	**772,864**	**100.0%**

(*) Unaudited.

Nine months ended September 30, 2020 compared to the nine months ended September 30, 2019

Total revenue

Our total revenue increased by €81.3 million or 11.8% from €691.6 million for the nine months ended September 30, 2019 to €772.9 million for the nine months ended September 30, 2020. This increase was mainly due to the consolidation of the Naprzód Group which accounted for €82.7 million of revenue for the nine months ended September 30, 2020. Excluding the effects of the consolidation of the Naprzód Group, our total revenue would have been substantially in line with the nine months ended September 30, 2019, mainly driven by the increased revenues from our healthcare sector customers, which were only partially offset by a slowdown of certain our activities and services that we provided to PSEs and private sector customers during the lockdown period in Italy. Our revenues rebounded in the second half of 2020, supported by demand from our customers in the healthcare sector.

Total revenue for our Facility Management Segment increased by €67.5 million, or 11.4% from €592.8 million for the nine months ended September 30, 2019 to €660.2 million for the nine months ended September 30, 2020. The increase was attributable primarily to the consolidation of the Naprzód Group, the effect of which exceeded the decrease of our revenues during the lockdown period from companies which were already part of the Group prior to acquisition of the Naprzód Group (*e.g.*, for the termination of the agreement with the main Italian railway operator for certain overnight services as well as the in-sourcing of certain cleaning activities in the school facilities by the competent governmental entities).

Total revenue for our Laundering and Sterilization Segment increased by €14.8 million, or 14.7% from €100.7 million for the nine months ended September 30, 2019 to €115.5 million for the

nine months ended September 30, 2020. The increase was attributable primarily to the increased demand for our products (including white coats, face masks and linen) from hospitals due to the COVID-19 pandemic.

Costs of raw materials and consumables

Costs of raw materials and consumables increased by €22.5 million, or 20.6%, from €109.6 million for the nine months ended September 30, 2019 to €132.1 million for the nine months ended September 30, 2020. This was primarily due to the consolidation of the Naprzód Group which accounted for €14.5 million of costs of raw materials and consumables for the nine months ended September 30, 2020. Excluding the effects of the consolidation of the Naprzód Group, the increased costs of raw materials and consumables for the period was mainly driven by the increased use of raw materials by the Group, particularly raw materials used in the production of coats, face masks and other PPE, linen and other supplies to our healthcare customers.

Costs for services and use of third-party assets

Costs for services and use of third party assets increased by €17.1 million, or 7.8%, from €218.8 million for the nine months ended September 30, 2019 to €235.9 million for the nine months ended September 30, 2020. This was primarily due to the consolidation of the Naprzód Group which accounted for €10.7 million of costs for services and use of third party assets for the nine months ended September 30, 2020. In addition to the effects of the consolidation of the Naprzód Group, the increase also factored in a different mix of services that we provided in the period, including cleaning and other activities to our healthcare sector customers which generally are undertaken by direct employees of the Group and do not require recourse to subcontractors in the same way as energy management and HVAC services, for example.

Personnel costs

Personnel costs increased by €23.3 million, or 8.0%, from €290.0 million for the nine months ended September 30, 2019 to €313.3 million for the nine months ended September 30, 2020. This was primarily due to the consolidation of the Naprzód Group which accounted for €46.7 million of personnel costs for the nine months ended September 30, 2020 (representing 14.9% of the total personnel costs of the Group in the relevant period). The average number of employees increased, from 17,484 for the nine months ended September 30, 2019 to 22,774 for the same period in 2020, primarily as a result of the consolidation of the Naprzód Group, which had an average of 10,281 employees over the nine months ended September 30, 2020. Excluding the effects of the consolidation of the Naprzód Group, our personnel costs would have decreased, mainly as a result of a different mix of services that we provided in the period, which favored lower labor intensive activities as compared to the previous period.

Financial income

Financial income decreased by €0.6 million, from €2.6 million for the nine months ended September 30, 2019 to €1.9 million for the nine months ended September 30, 2020. This was mainly due to a lower capital gain on the repurchasing of the CFM Existing Notes which decreased by €0.4 million from €1.6 million for the nine months ended September 30, 2019 to €1.2 million for the nine months ended September 30, 2020 and to the fact that the Issuer received a one-time €0.6 million payment in the nine months ended September 30, 2019 in relation to interest on the arrears from certain customers, which positions were closed by the end of 2019.

Financial expenses

Financial expenses increased by €3.6 million, or 10.6%, from €33.6 million for the nine months ended September 30, 2019 to €37.1 million for the nine months ended September 30, 2020. This was primarily due to interest costs related to the Existing Revolving Credit Facility and other costs relating to certain factoring facilities.

(Profit) / Losses before taxes from continuing operations

Profit before taxes from continuing operations decreased by €87.7 million, or 685.3%, from profit of €12.8 million for the nine months ended September 30, 2020 to a loss of €74.9 million for the nine months ended September 30, 2020, primarily due to the €82.2 million provision that the Issuer set aside in relation to the ongoing proceeding before the Italian Antitrust Authority. See "*Business—Legal Proceedings—FM4 Tender Litigation and other proceedings arising therefrom*." As a percentage of revenue, our profit before taxes from continuing operations decreased by 11.6 percentage points from 1.9% for the months ended September 30, 2019 to negative 9.7% for the nine months ended September 30, 2020.

Income taxes

Income taxes increased by €1.7 million, or 20.7%, from €8.3 million for the nine months ended September 30, 2019 to €10.0 million for the nine months ended September 30, 2020. This was primarily due to, among others, higher incidence of non-deductible costs in relation to IRES, and the higher incidence of IRAP, which remained stable compared to reduced profit/(loss) before taxes from continuing operations.

Profit/(loss) for the period

Net profit for the period decreased by €88.6 million, from profit of €5.9 million for the nine months ended September 30, 2020 to a loss of €82.7 million for the nine months ended September 30, 2020, due to the reasons described above.

Year ended December 31, 2019 compared to the year ended December 31, 2018

Total revenue

Our total revenue increased by €57.2 million, or 6.0%, from €949.9 million for the year ended December 31, 2018 to €1,007.1 million for the year ended December 31, 2019. This increase is due to the consolidation of the recently acquired Naprzód Group in Poland which contributed €19.2 million of revenue for the two months for which it was consolidated after its acquisition in October 2019. In addition, the Group benefited from the full-period effects of further bolt-on acquisitions, including that of Medical Device S.r.l. acquired by Servizi Ospedalieri in July 2018 and H2H Cleaning S.r.l. acquired by H2H in November 2018, which contributed €2.1 million and €6.6 million in 2019, respectively. Furthermore, revenue from our international markets such as the Turkish, French and Saudi markets, recorded a €5.5 million revenue increase for the year ended December 31, 2019 as compared to the previous year, reflecting the Group's strengthened presence outside of Italy.

Total revenue for our Facility Management Segment increased by €48.7 million, or 5.9%, from €825.0 million for the year ended December 31, 2018 to €873.7 million for the year ended December 31, 2019. This increase was mainly due to the abovementioned consolidation of Naprzód Group and the positive results of the international markets (which contributed €30.1 million in revenue for the year ended December 31, 2019, an increase of €24.6 million, or 3.0%, compared to the year ended December 31, 2018) as well as the full operation of the MIES contract with CONSIP, which contributed for €20.8 million.

Total revenue for our Laundering and Sterilization Segment increased by €8.4 million, or 6.6%, from €127.4 million for the year ended December 31, 2018 to €135.9 million for the year ended December 31, 2019. This increase was mainly due to the effects of the acquisition of Medical Device S.r.l. in July 2018, as well as to the entry into operation of a new contract for the supply of surgical kits. In addition, our revenue benefited from the recovery of our industrial laundering segment, also as a result of the effects of the implementation of commissions which started in 2018.

Costs of raw materials and consumables

Costs of raw materials and consumables increased by €22.7 million, or 16.2%, from €140.1 million for the year ended December 31, 2018 to €162.9 million for the year ended December 31, 2019. As a result of such increase, the costs of raw materials and consumables

counted for 18.0% of total costs of production as of December 31, 2019, up by 1.5% from 16.5% as of December 31, 2018. This increase was mainly related to the increased consumption of raw materials as a result of the consolidation of the Naprzód Group. As a percentage of revenue, our costs of raw materials and consumables slightly increased from 14.8% in the year ended December 31, 2018 to 16.2% in the year ended December 31, 2019.

Costs for services and use of third-party assets

Costs for services and use of third party assets slightly increased by €3.0 million, or 0.9%, from €315.5 million for the year ended December 31, 2018 to €318.6 million for the year ended December 31, 2019. The slight increase was mainly due to increased activity in facility management. Management seeks to proactive manage our cost structure through internalizing many such costs and therefore utilizing our own personnel and equipment. Notwithstanding such increase, the impact of the costs for services and use of third-party assets on the total amount of costs of production decreased by 1.9% from 37.1% as of December 31, 2018 to 35.2% as of December 31, 2019. As a percentage of revenue, our costs for services and use of third-party assets decreased by 1.6 percentage points from 33.2% for the year ended December 31, 2018 to 31.6% for the year ended December 31, 2019.

Personnel costs

Personnel costs increased by €26.5 million, or 6.8%, from €392.5 million for the year ended December 31, 2018 to €419.1 million for the year ended December 31, 2019, which resulted in a limited increase of the impact on the total amount of costs of production (46.3% as of December 31, 2019 compared to 46.1 as of December 31, 2018). This increase was primarily the result of the enlarged average number of our employees which increased from 16,452 for the year ended December 31, 2018 to 18,198 for the year ended December 31, 2019, primarily as a result of the consolidation of 9,805 employees of the Naprzód Group that we acquired in October 2019. Additionally, our use of leased employees from MSC increased by an average number of 121 workers during the year ended December 31, 2019 from 1,256 as of December 31, 2018 to 1,377 as of December 31, 2019.

As a percentage of revenue, our personnel costs slightly increased by 0.3 percentage points, from 41.3% for the year ended December 31, 2018 to 41.6% for the year ended December 31, 2019. This increase was related to the partial absorption of personnel costs related to acquired companies and ramp-up effect of acquisitions completed during 2019.

Amortization/depreciation, write-downs and write-backs of assets

Amortization/depreciation, write-downs and write-backs of assets for the year ended December 31, 2019 decreased by €1.3 million, or 3.3%, from €39.1 million for the year ended December 31, 2018 to €37.8 million for the year ended December 31, 2019, primarily due to the application of IFRS 16 in 2019.

(Accrual)/reversal to provisions for risks and charges

Accrual to provisions for risks and charges increased by €1.7 million, or 65.2%, from accruals to provisions of €2.6 million for the year ended December 31, 2018 to accruals for an amount of €4.3 million for the year ended December 31, 2019. This increase was primarily attributable to provisions booked for legal proceedings.

Operating income

Operating income increased by €2.0 million, or 3.5%, from €57.5 million for the year ended December 31, 2018 to €59.5 million for the year ended December 31, 2019 for the reasons described above. In particular, operating income in our Facility Management Segment for the year ended December 31, 2019 was substantially in line with the previous year, registering a €0.2 million, or 0.4%, increase from €43.8 million for the year ended December 31, 2018 to €44.0 million for the year ended December 31, 2019. Operating income in our Laundering and Sterilization Segment increased by €1.7 million, or 12.3%, from €13.8 million for the year ended December 31, 2018 to €15.5 million for the year ended December 31, 2019.

Financial expenses

Financial expenses increased by €9.2 million, or 25.7%, from €35.8 million for the year ended December 31, 2018 to €45.0 million for the year ended December 31, 2019. Such increase was primarily due to the full-year effects of the transfer of the CMF Existing Notes to the Issuer as a result of the merger between the Issuer's predecessor, Manutencoop Facility Management, with CMF S.p.A., as original issuer of the CMF Existing Notes, which was partially offset by €0.8 million savings in financial expenses from the repurchase of €10.3 million of the CMF Existing Notes by the Issuer pursuant to open market purchases from holders.

Profit before taxes from continuing operations

Profit before taxes from continuing operations decreased by €5.4 million, or 22.9%, from a profit of €23.7 million for the year ended December 31, 2018 to a profit of €18.3 million for the year ended December 31, 2019. As a percentage of revenue, our profit before taxes from continuing operations decreased by 0.7 percentage points from 2.5% for the year ended December 31, 2018 to 1.8% for the year ended December 31, 2019.

Income taxes

Income taxes increased by €6.7 million, or 80.7%, from €8.3 million for the year ended December 31, 2018 to €15.0 million for the year ended December 31, 2019. This increase is primarily due to the fact that lower taxes of €6.1 million were recognized in 2018, as a result of the filing by the Group of supplementary tax returns in its favor. Net of these amount, income taxes would have been equal to €14.4 million in 2018, substantially in line with the following period.

Profit/(loss) for the year

Net profit for the year decreased by €12.1 million from €15.4 million for the year ended December 31, 2018 to €3.3 million for the year ended December 31, 2019. This decrease was primarily attributable to the factors discussed above.

Year ended December 31, 2018 compared to the year ended December 31, 2017

Total revenue

Our total revenue increased by €31.8 million, or 3.5%, from €918.1 million for the year ended December 31, 2017 to €949.9 million for the year ended December 31, 2018. This increase was mainly due to the greater volumes achieved towards the full operation of certain significant contracts, including with CONSIP and for cleaning services on night trains managed on behalf of the main Italian railway operator. Our specialized service activities as well as our operations in France and Turkey also contributed to the aforementioned revenue increase.

Total revenue for our Facility Management Segment increased by €34.6 million, or 4.4%, from €790.3 million for the year ended December 31, 2017 to €825.0 million for the year ended December 31, 2018. This increase was mainly due to the increase of revenue generated from private sector customers and from our operation in the French and Turkish markets, including through the line by line consolidation of EOS which contributed €5.4 million of revenue following the acquisition of control in February 2018, whereas previously this entity was consolidated using the equity method and its net results were reported in the "Share of net profits of associates" line item. In addition, we benefitted from increased volumes under certain service agreements, including the 15-year agreement entered into with the municipality of Casalecchio di Reno for the integrated management of thermal energy and public lighting in the municipal district.

Total revenue for our Laundering and Sterilization Segment decreased by €3.1 million, or 2.4%, from €130.5 million for the year ended December 31, 2017 to €127.4 million for the year ended December 31, 2018. This decrease was mainly due to the lower revenues in the linen rental and industrial laundering activities as a consequence of unfavorable prices and the completion of certain contracts with major hospitals in 2017. The decrease was only slightly offset by

€1.9 million in revenue generated in 2018 by the newly acquired Medical Device S.r.l. which specializes in the production of procedure kits for the healthcare sector.

Costs of raw materials and consumables

Costs of raw materials and consumables increased by €20.4 million, or 17.0%, from €119.7 million for the year ended December 31, 2017 to €140.1 million for the year ended December 31, 2018. This increase was primarily due to the higher consumption of materials as a result of a different mix of services provided including the commencement of cleaning services on night trains managed on behalf of the main Italian railway operator. Consumption of fuel, use of energy and other raw materials are the main components of this line item. As a percentage of revenue, our costs of raw materials and consumables increased by 1.7 percentage points from 13.0% for the year ended December 31, 2017 to 14.7% for the year ended December 31, 2018.

Costs for services and use of third-party assets

Costs for services and use of third-party assets decreased by €12.8 million, or 3.9%, from €328.3 million for the year ended December 31, 2017 to €315.5 million for the year ended December 31, 2018. As a result, its impact on the total costs of production decreased from 39.3% for the year ended December 31, 2017 to 37.8% for the year ended December 31, 2018. Such decrease was mainly due to lower costs for third-party and other professional services, as well as for costs owed to consortium charges, as part of our process to increase insourcing of certain activities, and was only partially offset by increased costs related to the new production activities that we started in France and Turkey, one-off costs mainly related to the rebranding of the Group and costs for professional services rendered with respect to certain transactions undertaken by the Group, including the merger between CMF and Manutencoop Facility Management. As a percentage of revenue, our costs for services and use of third-party assets decreased by 2.6 percentage points from 35.8% for the year ended December 31, 2017 to 33.2% for the year ended December 31, 2018.

Personnel costs

Personnel costs increased by €10.4 million, or 2.7%, from €382.1 million for the year ended December 31, 2017 to €392.5 million for the year ended December 31, 2018. This increase was primarily the result of a different mix of services provided that favors environmental hygiene services entailing higher personnel costs as compared to other activities as well as new operations on highly work intensive contracts internationally. Furthermore, costs related to the hiring of new employees outside of Italy, which were nil for the year ended December 31, 2017, amounted to €3.9 million for the year ended December 31, 2018 as we expanded our operations internationally. Notwithstanding such overall increase, the impact of personnel costs on total costs of productions remained substantially unchanged for the year ended December 31, 2018 as compared to the previous period. The average employee headcount increased from 16,235 as of December 31, 2017 to 16,452 as of December 31, 2018, which is closely related to the mix of services that we provide.

As a percentage of revenue, our personnel costs slightly decreased by 0.3 percentage points, from 41.6% for the year ended December 31, 2017 to 41.3% for the year ended December 31, 2018.

Amortization/depreciation, write-downs and write-backs of assets

Amortization/depreciation, write-downs and write-backs of assets increased by €8.8 million, or 29.0%, from €30.3 million for the year ended December 31, 2017 to €39.1 million for the year ended December 31, 2018. This increase was primarily related to an €8.0 million amortization of rights of use in accordance with IFRS 16.

(Accrual)/reversal to provisions for risks and charges

Accrual to provisions for risks and charges increased by €2.4 million from €143 thousand for the year ended December 31, 2017 to €2.6 million for the year ended December 31, 2018. This

increase was primarily related to a one-time release of a provision for risks in relation to a dispute for contractual liability which was settled on favorable terms in the year ended December 31, 2017.

Operating income/(loss)

Operating income decreased by €0.7 million, or 1.2%, from €58.2 million for the year ended December 31, 2017 to €57.5 million for the year ended December 31, 2018 for the reasons described above. In particular, operating income in our Facility Management Segment increased by €2.4 million, or 5.7%, from an operating income of €41.4 million for the year ended December 31, 2017 to an operating income of €43.7 million for the year ended December 31, 2018. Operating income of our Laundering and Sterilization Segment decreased by €3.0 million, or 18.0%, from €16.8 million for the year ended December 31, 2017 to €13.8 million for the year ended December 31, 2018.

Financial expenses

Financial expenses decreased by €7.3 million, or 16.9%, from €43.1 million for the year ended December 31, 2017 to €35.8 million for the year ended December 31, 2018. Such increase was primarily due to the full effects of the change of the capital structure of the Group following the early redemption of the MFM Notes issued in 2013 which were replaced by the CMF Existing Notes in 2017. In particular, the effects of such changes to the capital structure impacted the Issuer as from the second half of 2018, as a result of the merger with CMF S.p.A., as original issuer of the CMF Existing Notes and the predecessor of the Issuer.

For the period from January 1, 2018 to July 1, 2018, CMF recorded €17.7 million in interest expense associated with the CMF Existing Notes, of which a portion was included in the Issuer's Audited Consolidated Financial Statements associated with interest expense on the proceeds loan. The amount not recorded in our financial statements was €8.7 million. See "*—Factors affecting the comparability of our results of operations—The Merger and interest expense for the year ended December 31, 2018*."

Profit before taxes from continuing operations

Profit before taxes from continuing operations increased by €7.0 million, or 41.9%, from a profit of €16.7 million for the year ended December 31, 2017 to a profit of €23.7 million for the year ended December 31, 2018. As a percentage of revenue, our profit before taxes from continuing operations increased by 0.7 percentage points from 1.8% for the year ended December 31, 2017 to 2.5% for the year ended December 31, 2018.

Income taxes

Income taxes decreased by €7.7 million, or 48.3%, from €16.0 million for the year ended December 31, 2017 to €8.3 million for the year ended December 31, 2018. This decrease is primarily due to the fact that lower taxes of €6.1 million were recognized in 2018, as a result of the filing by the Group of supplementary tax returns in its favor.

Profit/(loss) for the year

Net profit for the year increased by €14.7 million from a net profit €0.7 million in the year ended December 31, 2017 to a net profit of €15.5 million for the year ended December 31, 2018; this decrease was primarily attributable to the factors discussed above.

Liquidity and capital resources

Liquidity before the Refinancing

Our cash requirements consist mainly of the following:

- operating activities, including our net working capital requirements;
- servicing our indebtedness and the indebtedness of our subsidiaries, either through interest payments, repayment at maturity or prepayments;

- liability management transactions in respect of the CMF Existing Notes
- funding acquisitions;
- funding capital expenditures; and
- paying taxes.

Our sources of liquidity have historically consisted mainly of the following:

- cash generated from our operating activities and from the sales of non-core assets such as Gruppo Sicura;
- the CMF Existing Notes, which will be entirely redeemed with a combination of the proceeds from the Offering and cash on balance;
- borrowings under bilateral credit facilities and the Existing Revolving Credit Facility; and
- the sale of trade receivables on a recourse and non-recourse basis under our factoring facilities.

As of September 30, 2020, our Net Debt amounted to €337.4 million compared to €359.6 million as of December 31, 2019. We define Net Debt as measurements of our indebtedness as described in Footnote 3 under "*Summary historical consolidated financial information and other data—Other financial information*." As of September 30, 2020, we had cash and cash equivalents of €110.9 million as compared to €97.1 million as of December 31, 2019, and current financial assets of €7.1 million as compared to €4.8 million as of December 31, 2019.

In December 2018, with the aim of being able to meet potential non-recurring cash outflow requirements, we entered into a three-year non-recourse revolving factoring agreement with Banca Farmafactoring S.p.A. concerning the assignment without recourse of receivables from entities in the National Health System and public authorities, for an annual amount of up to €200 million. For the nine months ended September 30, 2020, assignments of receivables without recourse under this agreement amounted to €120.1 million. See "*Description of Certain Financing Arrangements—Factoring facilities—Banca Farmafactoring Facility*." In addition, we sold without recourse €30.8 million of trade receivables to Banca Ifis S.p.A., under an uncommitted factoring agreement and we currently benefit from a €20 million non-recourse revolving factoring agreement with UniCredit Factoring S.p.A. under which we sold €13.3 million of trade receivables during the nine months ended September 30, 2020. In addition, in March 2019 and December 2019 we entered into uncommitted factoring agreements with Carrefour Italia Finance S.r.l. and MB Facta S.p.A. with respect to receivables owed to the Group by companies belonging to the Carrefour group and Telecom Italia, respectively. From time to time, we also make spot assignments of trade receivables, including to Banca Sistema S.p.A. and Prime Revenue Inc. for approximately €15.2 million for the nine months ended September 30, 2020. Over the same period, we sold €28.5 million of tax receivables relating to the VAT credits for which we have requested to be refunded. In the nine months ended September 30, 2020, we sold without recourse €197.9 million in receivables, while the amount of outstanding trade receivables sold under non-recourse factoring facilities but not yet collected by the factor was equal to €73.0 million.

The Refinancing

For a description of the Refinancing, see "*Summary—The Refinancing.*"

Liquidity following the Refinancing

Following the completion of the Refinancing, our primary sources of liquidity will consist of the following:

- cash generated from our operating activities;
- available drawings under the Revolving Credit Facility;

- sale of trade receivables on a non-recourse basis through the Banca Farmafactoring Facility and the UniCredit Factoring Facility or other existing and future factoring facilities, if any; and
- borrowings under one or more bilateral facilities.

We expect that, following the Refinancing, the Banca Farmafactoring Facility and the UniCredit Factoring Facility will remain outstanding. We expect that recourse and non-recourse factoring will continue to be an option available to us to manage our liquidity as the need arises. We are considering making a sale of receivables under one of our uncommitted recourse (*pro solvendo*) factoring facilities in the amount of between €10 to €15 million which could occur on or about the Issue Date. In addition, we expect that further reductions in DSOs through our attention to working capital management and continuing efforts to manage collections and payments under our trade receivables will improve our liquidity.

As a result of the ongoing COVID-19 pandemic, we may experience an increase in payment delays as well as curtailing of additional revenue streams from customers. This could lead to a corresponding increase in bad debt and cancellation, which may negatively impact our liquidity position. However, we believe that the diversified nature of our activities and our strong positioning on the provision of services to the healthcare industry, coupled with our current liquidity position, as well as the Revolving Credit Facility and borrowings under certain bilateral and other credit lines that we expect will remain available to us following the completion of the Refinancing, will mitigate the potential risk that could arise from the COVID-19 pandemic. In the nine months ended September 30, 2020, we recorded positive cash flow generation and revenue collection levels. In addition, while we continue to closely monitor the evolution of the COVID-19 pandemic and any effects it may have on the Group's financial condition and liquidity position, we believe that our current sources of liquidity and cash levels will be sufficient to fund capital expenditures, provide working capital, and meet our debt service requirements following the Refinancing. See "*Risk Factors—Risks Related to Our Business—The COVID-19 pandemic has impacted our operations, and this or other future pandemics could impact our business, financial condition and results of operations*" and "*Industry—The healthcare end-market of the facility management market—Impact of COVID-19 on facility management for the healthcare industry.*" For more information regarding our indebtedness and cash service requirements on our indebtedness following the Offering, see "*Capitalization*" and "*Description of Certain Financing Arrangements.*"

Net working capital

Our net working capital, as defined by the Group, is the sum of our trade receivables, inventories, trade payables and other elements of working capital. The table below sets forth our net working capital as of December 31, 2017, 2018 and 2019 and as of September 30, 2020.

	As of December 31,			As of September 30,
(thousands of €)	**2017**	**2018**	**2019**	**2020(*)**
Trade receivables and advances to suppliers	429,165	417,930	412,572	435,290
Inventories	6,057	7,421	7,910	10,235
Trade payables and advances from customers	(393,022)	(399,602)	(405,950)	(382,023)
Other elements of working capital(1)	(60,865)	(61,284)	(115,344)	(75,605)
Net working capital(2)	**(18,655)**	**(35,535)**	**(100,812)**	**(12,103)**
Outstanding trade receivables sold under factoring facilities but not yet collected by the factor	19,341	60,341	75,143	73,020
Net working capital adjusted for trade receivables off-balance sheet ("Adjusted net working capital")(3)	**676**	**24,806**	**(25,669)**	**60,917**

(*) Unaudited.

(1) "Other elements of working capital" represents the sum of current tax receivables, current tax payables, other current assets, other current liabilities, assets classified as held for sale, liabilities directly associated with assets classified as held for sale, and provisions for risks and charges (current). The below table provides the breakdown of the other elements of working capital as of December 31, 2017, 2018 and 2019 and as of September 30, 2020.

(2) "Net working capital" is not a recognized measure of financial performance or liquidity under IFRS and therefore no undue reliance should be placed on such data contained in this Offering Memorandum. See "*Presentation of financial information—Non-IFRS financial measures.*"

(3) "Adjusted net working capital" is defined as net working capital including the trade receivables sold under non-recourse factoring facilities and not yet collected by the factor (trade receivables off-balance sheet). Adjusted net working capital is not a recognized measure of financial performance or liquidity under IFRS and therefore no undue reliance should be placed on such data contained in this Offering Memorandum. See "*Presentation of financial information—Non-IFRS financial measures.*"

	As of December 31,			As of September 30,
(thousands of €)	**2017**	**2018**	**2019**	**2020(*)**
Current tax receivables	8,745	14,658	10,090	11,799
Current tax payables	(326)	(954)	(1,280)	(3,188)
Other current assets	30,842	22,320	31,054	29,212
Other current liabilities	(93,415)	(90,360)	(192,465)(1)	(104,084)
Liabilities associated with assets classified as held for sale(2)	—	—	(26,851)	—
Assets classified as held for sale(2)	—	—	70,500	—
Provisions for risks and charges, current	(6,711)	(6,948)	(6,392)	(9,344)
Other elements of working capital	**(60,865)**	**(61,284)**	**(115,344)**	**(75,605)**

(1) This amount includes a deposit of €94.6 million in relation to the CONSIP FM4 Tender. See "*Risk Factors—We are susceptible to claims of anti-competitive practices and we are currently involved in ongoing litigation in respect of an antitrust matter related to the CONSIP public tender for contracts to clean offices used by Italian public entities (FM4 Tender), and our business and results of operations may face further significant adverse consequences deriving therefrom.*"

(2) Refers to Sicura S.p.A., for which a binding agreement to sell its entire share capital to Argos Wityu was entered into in February 2020.

(*) Unaudited.

Adjusted Net working capital increased by €86.6 million, from negative €25.7 million as of December 31, 2019 to €60.9 million as of September 30, 2020. This increase was primarily due to a €23.9 million decrease of trade payables and advances from customers, a €39.7 million decrease of the negative amount of the other elements of working capital, and a €22.7 million increase of trade receivables and advances to suppliers.

Adjusted Net working capital decreased by €50.5 million, or 203.5%, from €24.8 million as of December 31, 2018 to negative €25.7 million as of December 31, 2019. This decrease was mainly due to an increase of the negative amount of the other elements of working capital, namely (i) a €102.1 million increase of the other current liabilities (in relation, among others, to the potential liability arising from the fine imposed by the Italian Competition Authority with respect to the CONSIP FM4 Tender) and (ii) a €26.9 million increase of the liabilities associated with assets classified as held for sale, which account for the sale of Sicura S.p.A. to Argos Wityu in February 2020.

Adjusted net working capital increased by €24.1 million, from €0.7 million as of December 31, 2017 to €24.8 million as of December 31, 2018. This increase was primarily due to an increase of €41.0 million in the "Outstanding trade receivables sold under factoring facilities but not yet collected by the factor", as a consequence of both (i) an increase of €29.8 million of trade receivables assigned without recourse and not yet collected by the relevant factor, and (ii) an increase in the amount of trade payables, from €393.0 million as of December 31, 2017, to €399.6 million as of December 31, 2018.

Cash flow

The table below summarizes the cash flow of the Group for the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2020.

	For the year ended December 31,			For the nine months ended September 30,	
(thousands of €)	**2017**	**2018**	**2019**	**2019(*)**	**2020(*)**
Cash flow from/(used in) operating activities	69,876	66,575	56,857	18,752	(9,143)
Cash flow from/(used in) investing activities	(31,504)	(21,339)	(35,578)	(17,693)	28,554
Cash flow from/(used in) financing activities	(153,494)	(9,942)	(18,816)	(20,100)	(5,297)
Change in cash and cash equivalents	(115,122)	35,295	2,463	(19,040)	14,115
Conversion differences on cash and cash equivalents	—	(432)	(53)	(7)	(384)
Cash and cash equivalents at the end of the year/period	59,870	94,733	97,143	75,686	110,873

(*) Unaudited.

Cash flow from/(used in) operating activities

For the nine months ended September 30, 2020, cash flow used in operating activities was equal to €9.1 million, compared to cash flow from operating activities equal to €18.8 million for the nine months ended September 30, 2019. Such change is due to the combined effect of (i) profit before taxes from continuing operations of negative €74.9 million for the nine months ended September 30, 2020 compared to €12.8 million for the nine months ended September 30, 2019 and (ii) a decrease in working capital of €46.2 million for the nine months ended September 30, 2020, compared to a decrease in working capital of €31.3 million for the nine months ended September 30, 2019.

For the year ended December 31, 2019, cash flow from operating activities decreased to €56.9 million from €66.6 million for the year ended December 31, 2018. The decrease in cash flow from operating activities was mainly due to the combined effect of the following: (i) change in working capital of €0.5 million for the year ended December 31, 2019 compared to €17.4 million for the year ended December 31, 2018; and (ii) interests paid amounting to €33.9 million for the year ended December 31, 2019 compared to €25.8 million for the year ended December 31, 2018.

For the year ended December 31, 2018 cash flow from operating activities decreased to €66.6 million from €69.9 million for the year ended December 31, 2017. This decrease was mainly due to the combined effect of (i) change in working capital of €17.4 million as of December 31, 2018 compared to €47.9 million for the year ended December 31, 2017, (ii) interests paid for €25.8 million for the year ended December 31, 2018 compared to €43.5 million for the year ended December 31, 2017; and (iii) taxes paid for €11.8 million for the year ended December 31, 2018 compared to €17.2 million for the year ended December 31, 2017.

Cash flow (from)/used in investing activities

For the nine months ended September 30, 2020, cash flow used in investing activities was equal to €28.6 million, compared to cash flow from investing activities equal to €17.7 million for the nine months ended September 30, 2019. The increase was primarily due to the €50.0 million cash flow generated from the sale of Gruppo Sicura for a consideration amounting to €52.7 million (net of transaction costs).

For the year ended December 31, 2019, cash flow used in investing activities increased to €35.6 million from €21.3 million for the year ended December 31, 2018. The effect was primarily due to (i) acquisition of investments for €8.7 million for the year ended December 31, 2019 compared to €11.0 million for the year ended December 31, 2018; and (ii) financial effects of

business combinations for €10.8 million for the year ended December 31, 2019 compared to €1.5 million for the year ended December 31, 2018.

For the year ended December 31, 2018, cash flow used in investing activities decreased to €21.3 million from cash flow used in investing activities of €31.5 million for the year ended December 31, 2017. The variation was primarily due to (i) acquisition of investments for €11.0 million for the year ended December 31, 2018 compared to negative €1.5 million for the year ended December 31, 2017; (ii) decrease from financial assets for €0.5 million for the year ended December 31, 2018 compared to increase from financial assets for €27 thousand for the year ended December 31, 2017; and (iii) business combinations for negative €1.5 million for the year ended December 31, 2018 compared to nil for the year ended December 31, 2017.

For a reconciliation of total capital expenditures to cash flow used in or from investment activities for the years ended December 31, 2017, 2018 and 2019, see footnote 3 to the table presented under "*—Capital Expenditures*."

Cash flow (from)/used in financing activities

For the nine months ended September 30, 2020, cash flow used in financing activities decreased to €5.3 million from €20.1 million for the nine months ended September 30, 2019. The reduction was primarily due to (i) draw downs under the Existing Revolving Credit Facility for €50.0 million, (ii) the buy-back of €15.8 million of CMF Existing Notes, (iii) the payment of a €13.0 million dividend resolved upon in December 2019, (iv) the use of reverse factoring (for an amount of €2.4 million), (v) the early repayment of the credit line committed with CCFS which was supposed to mature in 2023 and (vi) the repayment of short term bank facilities and hot money for €9.3 million.

For the year ended December 31, 2019, financing activities absorbed cash flow for €18.8 million, whereas for the year ended December 31, 2018 financing activities absorbed cash flow of €9.9 million. The variation was mainly due to (i) the repayment of non-current borrowings for €12.2 million for the year ended December 31, 2019, compared to nil for the year ended December 31, 2018; and (ii) the repayment of short-term bank facilities for €4.6 million for the year ended December 31, 2019, compared to €86 thousand for the previous year.

For the year ended December 31, 2018, financing activities absorbed cash flow for €9.9 million whereas financing activities absorbed cash flow of €153.5 million for the year ended December 31, 2017. This change was mainly due to the repayment of non-current borrowings for €324.3 million for the year ended December 31, 2017 corresponding to the satisfaction and discharge and subsequent redemption of the MFM Notes issued by Manutencoop Facility Management in 2013, compared to nil for the year ended December 31, 2018.

Net Debt

The table below sets forth our Net Debt as of December 31, 2017, 2018 and 2019 and as of September 30, 2020 (on a historical basis). For a presentation of Net Debt as Adjusted as of September 30, 2020 following the Refinancing, see "*Summary historical consolidated financial information and other data—Other pro forma financial information*" and "*Capitalization*."

	As of December 31,			As of September 30,
(thousands of €)	**2017[1]**	**2018**	**2019**	**2020[*]**
Proceeds loan from CMF S.p.A. (nominal value)	175,990	—	—	—
CMF Existing Notes (nominal value)	—	360,000	349,700	333,900
Existing Revolving Credit Facility	—	—	—	50,000
Lease obligations	3,622	3,577	48,733	46,329
Bank borrowings (nominal value)	5,000	12,454	14,843	1,426
Current bank overdraft, advance payments and hot money	6,000	5,247	2,446	8,132
Assignments of receivables with recourse	29,999	18,379	28,174	13,158
Reverse factoring liabilities	—	—	—	2,431
Gross Debt	**220,610**	**399,659**	**443,936**	**455,377**
Cash and cash equivalents	59,870	94,733	97,143	110,873
Current financial assets	1,870	5,532	4,819	7,130
Net Debt	**158,870**	**299,394**	**341,974**	**337,374**

(*) Unaudited.

(1) The CMF Existing Notes were issued into escrow on July 6, 2017, the net proceeds were used upon the release from escrow on October 13, 2017 to satisfy and discharge the MFM Notes. As CMF was outside of the scope of consolidation of MFM as of December 31, 2017, the aggregate principal amount of the CMF Existing Notes is not shown in the chart above, only the amount of the proceeds on-lent to MFM through a proceeds loan. See "*—Factors affecting the comparability of our results of operations—The Merger and interest expense for the year ended December 31, 2018.*"

Pro forma contractual obligations and commitments

As of September 30, 2020, our total financial liabilities adjusted to give *pro forma* effect to the Refinancing would have amounted to €421.5 million and would have consisted mainly of the Notes, and operating lease liabilities.

The following table summarizes our total contractual obligations and commitments as of September 30, 2020, giving effect to the Refinancing, sorted by the year in which they are due to mature (assuming the Revolving Credit Facility remains undrawn).

(millions of €)	**Less than 1 year**	**1-5 years**	**more than 5 years**	**Total**
Notes offered hereby	—	—	350,000	**350,000**
Revolving Credit Facility	—	—	—	**—**
Financial leases	1,556	3,827	1,140	**6,523**
Put options granted in connection with business combinations[1]	—	977	—	**977**
Outstanding debt related to business combinations	7,256	—		**7,256**
Operating leases[2]	6,425	20,934	12,447	**39,806**
Total	**15,237**	**25,738**	**363,587**	**404,562**

(1) Described below in *"—Arrangements with non-controlling shareholders in our subsidiaries."*
(2) Amounts paid for leased property, rental and service agreements related to cars and other vehicles used in the normal course of business, which we expect will recur in coming years.

As of September 30, 2020, the Group's obligation in relation to the deferred purchase price for the acquisition of the Naprzód Group amounted to €7.2 million. Payment was made to the sellers in November 2020, net of the purchase price adjustment owed to the Group.

As of September 30, 2020, the Group's total obligations in respect of employee termination indemnity amounted to €11.3 million. Obligations related to employee termination indemnity as of September 30, 2020 are described in Note 14 to the unaudited condensed consolidated financial statements as of and for the nine months ended September 30, 2020 appearing elsewhere in this Offering Memorandum.

Financial leasing

The Group signed financial leases primarily for plant and equipment used by our Laundering and Sterilization Segment and for motor vehicles. Our financial leases generally contain termination clauses with associated penalties. The table below details the amount of liabilities related to future rental fees deriving from such financial leases as of September 30, 2020.

(thousands of €)	within 1 year	from 1 to 5 years	after five years	Total
Rekeep S.p.A.	90	360	—	**450**
Servizi Ospedalieri	570	2,050	1,140	**3,760**
Medical Device S.r.l.	60	140	—	**200**
Naprzód Group	840	1,280	—	2,120

Operating leases

We primarily enter into real estate lease agreements, long-term rental agreements for motor vehicles and lease agreements in relation to specific equipment. As of September 30, 2020, the amount recognized on our condensed consolidated statement of financial position for operating leases was €39.8 million.

Capital Expenditures

We define capital expenditure as the amount of cash or other liquid assets invested by the Group to acquire or upgrade property, plant and equipment, property, plant and equipment under financial lease and other intangible assets. The table below sets forth our capital expenditure for the years ended December 31, 2017, 2018 and 2019, and for the nine months ended September 30, 2019 and 2020.

	For the year ended December 31,			For the nine months ended September 30,	
(thousands of €)	2017	2018	2019	2019(*)	2020(*)
Acquisition of fixed assets under finance leases(1)	(4,489)	(69)	(566)	(305)	(1,430)
Purchase of properties	(70)	(54)	(82)	(42)	(244)
Purchase of plant and equipment(2)	(20,488)	(23,917)	(24,372)	(18,793)	(16,851)
Other intangible assets	(6,502)	(7,987)	(9,017)	(6,110)	(3,364)
Total capital expenditures(3)	**(31,549)**	**(32,027)**	**(34,037)**	**(25,250)**	**(21,888)**

(*) Unaudited.

(1) For the year ended December 31, 2017, €4.5 million related to a twelve-year financial lease with UniCredit Leasing S.p.A. to acquire a property in Lucca previously leased from Manutencoop Immobiliare S.p.A.

(2) For the years ended December 31, 2017, 2018 and 2019, €12.8 million, €15.5 million and €15.3 million (or €13.0 million and €10.6 million for the nine months ended September 30, 2019 and 2020) related to linen purchased by our Laundering and Sterilization Segment.

(3) The following table presents a reconciliation between total capital expenditures and cash used in investing activities for the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020:

	For the year ended December 31,			For the nine months ended September 30,	
(thousands of €)	**2017**	**2018**	**2019**	**2019**	**2020**
Total capital expenditures	**(31,549)**	**(32,027)**	**(34,037)**	**(25,250)**	**(21,888)**
Disposals of property, plant and equipment, other intangible assets and assets classified as held for sale	499	496	1,399	231	287
Additions from business combinations	—	(1,529)	(10,813)	(1,978)	(115)
Acquisition of investments	(1,487)	11,042	8,700	7,984	(2,089)
Decrease/(increase) of financial assets	(27)	460	2,114	1,275	(2,886)
Discontinuing activities	1,060	220	(2,941)	45	55,245
Cash flow from/(used) in investing activities	**(31,504)**	**(21,339)**	**(35,578)**	**(17,693)**	**28,554**

Capital expenditures differ from cash used in investing activities mainly due to the net effect of the following: (i) the additions from business combinations; (ii) the investments in affiliates accounted for under the equity method and other investments; (iii) the investments (or divestments) in non-current financial assets; and (iv) the cash flow related to discontinued operations.

Capital expenditures relate mostly to purchases of linen and maintenance and replacement of equipment, in each case related to our Laundering and Sterilization Segment which comprised €21.6 million, €18.2 million, €18.7 million, €15.5 million and €13.1 million of capital expenditures for the years ended December 31, 2017, 2018 and 2019, and for the nine months ended September 30, 2019 and 2020, respectively. Other capital expenditures during the periods under review consisted of (i) costs related to upgrading the Group's information and technology system (including investments in connection with the start-up Yougenio for the development of its web platform); and (ii) for the year ended December 31, 2017, a 12-year financial lease between Servizi Ospedalieri S.p.A. and UniCredit Leasing S.p.A. to acquire a property in Lucca previously leased from Manutencoop Immobiliare S.p.A.).

We expect our capital expenditures for the year ending December 31, 2021 to be consistent with historic trends and the majority of such expenditures will relate to fabrics and linens purchased for our Laundering and Sterilization Segment. See "*Forward-looking statements*."

Off-balance sheet arrangements

Guarantees, bid and performance bonds

For most of our PSE and healthcare customer contracts and certain of our private sector contracts, we are often required to post performance bonds, primarily to guarantee our performance thereunder. In addition, we are required to post bid bonds in order to participate in public tender procedures. These are off-balance sheet items. As of September 30, 2020, the Group (including associates and investments in project companies) had performance bonds outstanding in the aggregate amount of €317.3 million, out of a total of €388.3 million corresponding to the entire amount of our off-balance sheet guarantees and insurance bonds. Bid bonds may be enforced as a result of us being excluded from participating in tender procedures, including as a result of false statement declarations and/or us failing to enter into contracts awarded to us for any reasons attributable to us. Performance bonds may be enforced in case of termination of the relevant contracts by our counterparties, including, among others, as a result of us failing to perform our obligations and/or to meet or maintain the requirements set forth by the applicable laws and regulations. As of the date of this Offering Memorandum, we are subject to enforcement action in respect of bid bonds related to certain litigation with CONSIP. Though the enforcement actions have been stayed by the competent courts as appeals on the merits are considered or suspended pending the relevant litigation, these bonds and penalties present an

ongoing potential for substantial cash out-flows (see in particular "*Business—Legal Proceedings—Pending Legal Proceedings arising from the CONSIP School Contracts Litigation*" and "*—FM4 Tender Litigation and other proceedings arising therefrom"*). See Note 35 of the Audited Consolidated Financial Statements as of and for the year ended December 31, 2019 for a more detailed description of these arrangements. See also "*Risk factors—We may be unable to obtain the insurance bonds, securities or guarantees that are required for certain public tenders or contracts with our private customers, and due to our failure to comply with the applicable rules or to perform our obligations, counterparties may enforce the bonds we have posted and we currently are in litigation regarding enforcement actions in respect of certain performance and bid bonds.*"

We use various off-balance sheet arrangements to provide security or liquidity including to minority-owned companies and third parties (performance bonds) and for security deposits related to utilities and lease contracts as well as tax refunds.

Arrangements with non-controlling shareholders in our subsidiaries

The Group holds majority interests in certain subsidiaries and granted the non-controlling shareholders of such subsidiaries put options (with the Group holding a related call option), such as (i) the put/call option with respect to an additional shareholding in the Naprzód Group, which can be exercised between October 30, 2024 and October 30, 2025 at a price determined on the basis of, and that can vary depending on, certain parameters established in the relevant acquisition agreement; and (ii) the put option enforceable by the minority shareholders of Rekeep France S.A.S. between June 30, 2021 and June 30, 2023. See Note 12 of the Unaudited Interim Condensed Consolidated Financial Statements as of and for the nine months ended September 30, 2020 for a more detailed description of such arrangements. Pursuant to IFRS, the fair value of the put option in respect of Naprzód is expected to be recorded on our statement of financial position in connection with the preparation of our consolidation statement of financial position as of December 31, 2020.

Qualitative and quantitative disclosure of market risk

Interest rate risk

The Revolving Credit Facility will bear floating interest rates indexed to EURIBOR. As of September 30, 2020, on an as adjusted basis for the Refinancing, the main indebtedness in our capital structure will be Notes offered hereby which bear a fixed rate of interest. We do not intend to enter into any hedging arrangement in connection with the Revolving Credit Facility though we may choose to do so in the future. The Group also uses as medium/long-term financing, bank facilities bearing fixed interest rates and finance lease facilities bearing floating interest rates. Short-term financing generally bears floating interest rates indexed to EURIBOR rate and include current account overdrafts, *hot money*, bank loans and recourse and non-recourse assignments of trade receivables.

Credit risk

The majority of our customers have historically been Italian PSEs and healthcare customers which either belong to the public sector themselves or largely dependent upon receipt of public funds and/or subsidies. As a result, we are directly exposed to the credit risk of Italian PSEs and healthcare customers (which according to our internal classification are public sector), especially regional, provincial and municipal entities. Though we believe that the insolvency risk of such customers is low, historically such customers have shown difficulties in promptly paying their trade receivables. To protect ourselves from credit risk, we make provisions for bad trade receivables, although, we believe due to the high quality of our trade receivables portfolio, such provisions were 3.6%, 3.5% and 3.0%, respectively, of total revenue for the years ended December 31, 2017, 2018 and 2019. In addition, our historical default rate (defined as write-downs over total revenue) has been practically nil, for the years ended December 31, 2017, 2018 and 2019. Pursuant to our procedures, we do not consider as "impaired" trade receivables from

our customers which are not paid within the contractual term unless we have other evidence that the receivable is impaired. Over time, we have increased our customer portfolio, including certain large Italian and foreign accounts. As such clients include banking groups, railway operators, large retailers, multinational companies and other important players in their reference market sectors, we believe that there is a limited risk that such operators will face insolvency, bankruptcy or other administrative procedures. With respect to all of our clients we further mitigate credit risk through constant monitoring of our commercial exposure and the collection times of receivables.

We are also exposed to credit risk from our subcontractors, suppliers, TJA and consortium partners and project financing co-sponsors and the risk that they experience financial distress or become insolvent or otherwise unable to fulfill their contractual obligations to us or to our customers. We strictly monitor the creditworthiness of our counterparties to the extent such information is available and we make adjustments to our list of preferred suppliers based on feedback from our local representatives and procurement officers. In addition, our TJA activities are generally limited to other large private operators or cooperatives which management believes have a lower credit risk profile than SME partners. In order to mitigate credit risk, we also provide frequent written invoices to our customers and evidence our TJA commitments with written contracts.

Liquidity risk

The Group might not be able to generate sufficient cash flows from its operations to operate its business, cover investments, third-party debt, ongoing non-deferrable payroll and employee leasing obligations. Our approach to liquidity management is to put into place adequate funds to cover our obligations when they are due, both during normal conditions and at times of financial difficulty. We manage our cash through various means, including by making use of current account overdrafts, short-term bank loans (*e.g.*, hot money and advances), finance leases and medium/long-term loans. Our business does not have extensive capital expenditure requirements and therefore our principal spending requirements relate to our labor costs which are non-discretionary. In order to promote flexibility within our cost structure, we utilize employee leasing as discussed under "*Business—Employees and labor arrangements—Employee Leasing*." We have historically met our liquidity requirements through a combination of cash generated by our business, finance agreements as well as factoring facilities. On January 20, 2021, we entered into the Revolving Credit Facility which provides up to €75.0 million of revolving credit. See "*Description of certain financing arrangements—Revolving Credit Facility*."

We expect that following the Refinancing, the Banca Farmafactoring Facility and the UniCredit Factoring Facility will remain outstanding and that, more generally, recourse and non-recourse factoring will continue to be an option available to us to manage our liquidity and to finance our working capital. In addition, we expect that further reductions in DSOs through our attention to working capital management and continuing efforts to manage collections and payments under our trade receivables will improve our liquidity, if the need arises.

Capital risk

The key objective of the Group's capital risk management is to maintain adequate capital ratios to support operations and to maximize value for shareholders. We manage our capital structure and amend it on the basis of changes in economic conditions. In order to maintain or adjust the capital structure, we can adjust dividends paid to shareholders (which have historically been minimal) or issue new shares (which historically we have undertaken in connection with financing certain extraordinary transactions). We also monitor our debt ratio, by assessing the ratio of net debt to the total of equity. See "*—Net Debt*" for a definition of net debt. We have historically used excess cash to reduce debt when the circumstances allow us to do so. To reduce capital risk in the expansion of our business activities, we regularly engage in minority investments with partners in special purpose vehicles to carry out project financing activities with the use of non-recourse project financing loans and project bonds in connection with large-scale hospital construction and other projects that have the potential to generate ongoing work for

us. In addition, we have historically made regular use of factoring programs as discussed under "*—Liquidity Risk*."

Commodity risk

The Group is exposed to commodity risks related to fluctuations in the price of fuels, electricity and the cost of certain materials, such as cotton linens. As discussed under "*—Principal factors affecting our results of operations—Costs of raw materials and consumables,*" our primary commodity expenses are related to purchases of heating oil for our Energy and HVAC management business. Such contractual arrangements include a pass-through mechanism by contract and by law (Italian Legislative Decree No. 163 of April 12, 2006). See "*Business—Regulation—Public Tenders—Cost overruns and adjustments*." Therefore, commodity risks are largely mitigated. However, we are still exposed to increases in prices of fuel insofar as they are inputs for services in other businesses (i.e. transportation and electricity). In order to monitor and respond to such fluctuations, we purchase our fuels in bulk at the Group level for twelve months at a time and we also strive to utilize fuel-efficient equipment and vehicles. Our Laundering and Sterilization Segment is indirectly exposed to fluctuations in the price of cotton linens since it makes significant purchases of linen each year.

Foreign Exchange Risk

We operate internationally and are exposed to foreign exchange risk arising from various factors, primarily with respect to Polish złoty, and Turkish lira. Consequently, our financial results have been, and in the future will likely continue to be, subject to currency transaction and translation effects resulting from fluctuations in exchange rates, primarily the Euro/Polish złoty, and Euro/Turkish lira. Our consolidated financial statements are prepared in Euro. We are therefore exposed to translation risk on the preparation of our consolidated financial statements when we translate the financial statements of our subsidiaries which have currencies other than Euro. A portion of our assets, liabilities, revenue and costs are denominated in various currencies other than Euro, principally Polish złoty and Turkish lira. As a result, our consolidated results of operations, which are reported in Euro, are affected by currency exchange rate fluctuations. Transaction risk arises when our subsidiaries execute transactions in a currency other than their functional currency.

Critical accounting policies

Our consolidated financial statements have been prepared in accordance with IFRS. The preparation of our consolidated financial statements in accordance with IFRS requires us to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. We reevaluate our estimate on an ongoing basis and base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the value of such assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates under different assumptions or conditions. In particular, items where we have applied significant judgment and that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within our next financial year are discussed below.

The foregoing assumptions and estimates are based on facts, circumstances and trends at the end of each of the reporting period. As of the date of this Offering Memorandum, we do not expect any material change in the underlying assumptions and estimates. We consider the following policies and estimates to be the most critical in understanding the assumptions and judgments that are involved in preparing our financial statements and the uncertainties that could affect our financial results, financial condition and cash flow. A more detailed description of the accounting rules and methods that we apply is provided in note 2 "*Accounting standards and basis of preparation*" to the Audited Consolidated Financial Statements.

Impairment of goodwill and other assets

Goodwill is subject to impairment testing 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 cash-generating unit ("**CGU**") 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. For the years ended December 31, 2017, 2018 and 2019, the carrying amount of the Group's goodwill was equal to €370.4 million, €407.6 million and €387.8 million, respectively (this amount increased to €390.0 as of September 30, 2020).

With respect to assets other than goodwill, at the close of each financial year, the Group assesses whether there are any indicators of impairment of assets. In this case, or in the event an annual impairment test is required, the Group prepares an estimate of the recoverable value. The recoverable value is the higher of the asset's fair value less costs to sell and its value in use is determined per individual asset, except when such asset does not generate cash flows that are fully independent from those generated by other assets or groups of assets. If the carrying amount of an asset is higher than its recoverable value, such asset has been impaired and is subsequently written down to its recoverable value. In calculating the value in use, the Group discounts estimated future cash flows at the current value by using a pre-tax discount rate which reflects the market valuations on the time value of money and the specific risks of the asset. Impairment losses of operating assets are recorded in the income statement under the category "amortization, write-downs and write-backs of assets."

Trade receivables and other receivables

Trade receivables, which generally have contractual maturities between 30-90 days, are recorded at their transaction price, consisting of the nominal value, stated in the invoice, net of the bad debt provision. This allocation is made in the presence of objective evidence that the Group will not be able to collect the receivable. Uncollectible receivables are written down when they are identified.

The Group's customers are largely made up of public authorities and health care facilities, whose payment times greatly exceed the contractual maturities. For this reason, trade receivables due from third parties are discounted at a risk-free discount rate (given that the risks of non-collectability are already considered in the determination of the bad debt provision), for the period running between the presumed collection date (calculated on the basis of the average weighted payment delay of the Group's customers taken from historical data) and the average payment extension granted to customers by similar companies that operate in the same market as the Group.

Recognition of the present value of liabilities for put options and for earn-outs

The Group holds majority interests in subsidiaries in relation to which the non-controlling shareholders hold put options which can be exercised in the future at prices determined on the basis of certain parameters that require estimates from management for the purposes of a reliable valuation. Similarly, the contract for the purchase of certain majority interests of subsidiaries included an earn-out provision granted to the sellers (currently non-controlling shareholders) upon certain conditions being met on a certain future date. In this case, the correct recognition in the statement of financial position of the associated liability requires management to make estimates to determine the expected relevant parameters.

Recognition of revenues and costs relating to contract work in progress

The Group uses the percentage of completion method to account for the portion of long-term contracts for the building and improvement of properties or technological plants for which it does construction work. The margins recognized in profit and loss depend both on the progress of the works and the margins on the entire work when completed; therefore, if work in progress and margins on work not yet completed are to be recognized, management must make estimates of the costs of completion, possible increases in cost, delays, extra costs and penalties which could reduce the expected margin. The use of the percentage of completion method requires the

Group to estimate the costs of completion, which entails the adoption of assumptions depending on factors which could change in time and could therefore have a substantial impact on current estimates. Should actual costs be different from estimated costs, such difference would impact the results for future periods.

Treatment of intangible assets

Intangible assets acquired separately are initially capitalized at cost, while those acquired through business combinations of companies not subject to common control are capitalized at fair value on the date of acquisition. After initial recognition, intangible assets are recorded at cost net of amortization and accumulated impairment losses. The useful life of the intangible assets is definite or indefinite. Intangible assets with a definite useful life are amortized over their useful life and subject to fairness tests when there is evidence of potential impairment. The amortization period and method applied are reviewed at the end of each financial year or more frequently if necessary. Changes in the expected useful life or the methods with which the future economic benefits of the intangible asset are achieved by the Group are recorded by modifying the amortization period or method, as necessary, and treated as changes in the accounting estimates. The amortization charges of intangible assets with a definite useful life are recorded in the income statement under the cost category "amortization, depreciation, write-downs and write-backs of assets." The Group did not record any intangible assets with an indefinite useful life, with the exception of goodwill. The principles the Group applied with respect to intangible assets are summarized in the financial statements included in this Offering Memorandum.

Provisions for risks and charges

Provisions for risks and charges are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The value of the provisions recognized in the accounts in relation to these risks is the best estimate made by management at that date. The estimates entail the adoption of assumptions depending on factors which could change in time and could therefore have a substantial impact on management's current estimates used to prepare the Group's financial statements. Where the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. In this case the expense relating to any provision is presented in the statement of income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

Deferred tax assets, in particular relating to the likelihood of these being reversed in the future

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

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

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

Effect of the IFRS 16 implementation on the consolidated financial statements for the year ended December 21, 2018

The tables below present, for comparison purposes only, the effects of the application of IFRS 16 on the line items of the audited income statement for the year ended December 31, 2018 and the audited statement of financial position as of December 31, 2018.

Income Statement

(thousands of €)	For the year ended December 31, 2018 (actual)	Effects of adoption of IFRS 16	For the year ended December 31, 2018 (restated)
Total revenue	**949,882**	—	949,882
Costs of raw materials and consumables	(140,144)	—	(140,144)
Change in inventories of finished and semi-finished products	43	—	43
Costs for services and use of third-party assets	(325,258)	9,717	(315,541)
Personnel costs	(392,548)	—	(392,548)
Other operating costs or gains	(6,660)	—	(6,660)
Minor costs related to labor capitalized internally	4,140	—	4,140
Amortization/depreciation, write-downs and write-backs of assets	(31,122)	(7,958)	(39,080)
(Accrual)/reversal to provisions for risks and charges	(2,584)	—	(2,584)
Total operating costs	**(894,133)**	**1,759**	**(892,374)**
Operating Income	**55,749**	**1,759**	**57,508**
Share of net profit of associates	1,466	—	1,466
Dividends and net income/(loss) from sale of investments	(843)	—	(843)
Financial income	1,597	—	1,597
Financial expenses	(33,544)	(2,294)	(35,838)
Gains/(losses) on exchange rate	(156)	—	(156)
Profit/(loss) before taxes from continuing operations	**24,269**	**(535)**	**23,734**
Income taxes	(8,426)	149	(8,277)
Profit/(loss) after taxes from continuing operations	**15,843**	**(386)**	**15,457**
Profit/(loss) after taxes from discontinued operations	—	—	—
Profit/(loss) for the period	**15,843**	**(386)**	**15,457**
Attributable to			
Equity holders of the parent	15,734	(385)	15,349
Non-controlling interests	109	(1)	108

Statement of financial position

(thousands of €)	At December 31, 2018 (actual)	Effects of adoption of IFRS 16	At December 31, 2018 (restated)
Assets			
Property, plant and equipment	67,991	—	67,991
Property, plant and equipment under lease	5,984	45,436	51,420
Goodwill	407,622	—	407,622
Other intangible assets	25,634	—	25,634
Investment accounted for under the equity method	19,207	—	19,207
Other investments	4,905	—	4,905
Non-current financial assets	5,662	—	5,662
Other non-current assets	2,897	—	2,897
Deferred tax assets	15,017	887	15,904
Total non-current assets	**554,919**	**46,323**	**601,242**
Inventories	7,421	—	7,421
Trade receivables and advances to suppliers	417,930	—	417,930
Current taxes receivables	14,658	—	14,658
Other current assets	22,320	—	22,320
Current financial assets	5,532	—	5,532
Cash and cash equivalents	94,733	—	94,733
Total current assets	**562,594**	—	**562,594**
Assets classified as held for sale	—	—	—
Total assets	**1,117,513**	**46,323**	**1,163,836**
Liabilities			
Employee termination indemnity	14,730	—	14,730
Provisions for risks and charges, non-current	25,189	—	25,189
Total long-term financial liabilities	361,687	41,602	403,289
Deferred tax liabilities	14,525	2	14,527
Other non-current liabilities	660	—	660
Total non-current liabilities	**416,791**	**41,604**	**458,395**
Provisions for risks and charges, current	6,948	—	6,948
Trade payables and advances from customers	399,602	—	399,602
Current tax payables	954	—	954
Other current liabilities	90,360	—	90,360
Bank borrowings including current portion of long-term debt, and other financial liabilities	37,366	7,000	44,366
Total current liabilities	**535,230**	**7,000**	**542,230**
Liabilities directly associated with assets classified as held for sale	0	—	44,366
Total liabilities	**952,021**	**48,604**	**1,000,625**
Total shareholders' equity	165,492	(2.281)	163,211
Total equity and liabilities	**1,117,513**	**46.323**	**1,163,836**

Industry

The market data included in this section represents estimates taken from external sources (including commercial providers and government statistical agencies) as well as management's estimates and extrapolations from third party and publicly available data. While we have compiled, extracted and reproduced market or other industry data from external sources, including third party or industry or general publications, none of the Group, any Initial Purchaser, or the Trustee has independently verified such data. There can be no assurance as to the accuracy and completeness of such market or other industry data from external sources and the Group, its subsidiaries and the directors and management of the Group take no responsibility for such data. In addition, when considering the industry and market data included in this Offering Memorandum, prospective investors should note that this information may be subject to uncertainty due to differing definitions of the relevant markets and market segments described. See "Industry and market data."

Overview of the European facility management and laundering and sterilization industries.

Facility management

Facility management involves the provision of a variety of services such as mechanical, electrical and plumbing services, energy management and heating, ventilation and air conditioning ("**HVAC**") systems management, elevator maintenance, cleaning and landscaping for the management of buildings, assets and grounds. Through outsourcing, customers transfer the management of what they consider as non-core activities to third-party outsourcing service providers such as the Group. Outsourced providers that specialize in these activities can then optimize maintenance and facility management functions, exploit economies of scale and apply state-of-the-art technical knowledge to both improve the functioning of the buildings and facilitate cost savings. Outsourced providers provide their customers essential services that support and enhance the customer's core operations.

Since the beginning of the 1990s, outsourced providers have also emerged as sizeable players in the facility management market in Italy. The business model is primarily focused on (i) reducing customers' costs using economies of scale, (ii) increasing sales volume by outsourcing facility management functions and (iii) standardizing the services offered to customers across different geographies. A trend emerged in the 1990s in certain markets, and more recently in Italy for outsourcing providers to offer a broad and coordinated range of services, acting as a "one stop shop" for the end. The provision of more than one type of facility management service is known as "integrated facility management."

We believe the integrated facility management trend will continue in the coming years driven by both supply and demand. On the supply side, an integrated operator can benefit from economies of scale, a competitive advantage by offering new services to its existing customer base (cross-selling) and by leveraging the structure's existing fixed costs (operating leverage). On the demand side, we believe customers will increasingly appoint a single entity to deal with complex facility management activities as a means to save time and costs and simplify operations.

Laundering and sterilization

Laundering services refers to the coordinated logistics of collecting, cleaning and/or processing (i.e. bleaching or dry-cleaning), drying and delivering large volumes of linen, other fabrics, such as uniforms and patient gowns, and mattresses. Laundering is by definition an essential service in particular for the healthcare sector.

Sterilization services refer to the provision of industrial-strength cleaning of multi-use medical fabrics (such as those utilized in emergency rooms) and surgical instruments to government-approved hygiene and sanitary standards. Sterilization is a high-value activity that focuses on the healthcare sector and is fundamental to such customers' ability to safely treat their patients. Similar to laundering, sterilization involves a product cycle of collection, sterilization, quality assurance and delivery.

Drivers of demand for facility management and laundering and sterilization.
We believe that the outsourced segment of the facility management and laundering and sterilization markets will continue to grow. Key demand drivers for this growth include the following:

Focus on core business. Customers outsource their non-core business activities as a means to focus on their core activities internally. For example, in the healthcare sector non-core activities include the sanitization and sterilization of linens and surgical instruments. Our Group provides such services. These ancillary activities although essential, are not considered core to the business but do require frequent usage and coordination among many complex procedures which an integrated facility management provider such as our Group can provide.

Overhead costs control. Facility management and the management of its personnel is increasingly viewed by customers as an overhead cost. Certain sectors for geographic reasons, including the dispersal of offices, facilities and assets, would prefer to outsource activities to providers such as our Group who can logistically service such geographic areas with greater ease than the customers themselves. Similarly, healthcare customers see laundering and sterilization, given its capital intensive nature, as a component of their operations that can be outsourced to specialized providers who can provide cost savings; leveraging scale and know-how while maintaining high quality standards.

Integrated facility management offering. For facility management and laundering and sterilization tasks, customers need to coordinate multiple activities. The cost and time saved by customers as a result of interfacing and contracting with a single provider capable of delivering all the tasks required across multiple locations is valuable to customers in the facility management sector. Our Group can deliver an integrated facility management solution on a national scale to service such requirements.

Operational efficiency and quality of services. Specialized equipment and technical know-how are required by many customers who carry out facility management and laundering and sterilization activities. The cost to customers can be prohibitive to internally purchase and maintain such equipment and expertise. By outsourcing to providers such as our Group, internal costs are lowered for customers. In order to have these activities performed at the highest standards, such customers may seek to outsource certain activities to specialized operators.

Healthcare spending. According to ISTAT, Italy's ageing ratio, defined as the ratio of the population aged 65 and over to the population aged 0-14 (per 100 inhabitants), has increased from 127.1 in 2001 to 154.1 in 2014 and is further projected to increase to 207.1 in 2030. We believe that more healthcare spending and an aging population will increase hospital and care home utilization, indirectly creating demand for services such as cleaning and laundering and sterilization services. See also "*—The healthcare end-market of the facility management market*" below.

Automation and technological progress. Technological advancements ranging from more efficient laundering and sterilization machines that can handle higher volumes at a faster pace to greater use of logistics technology systems related to multi-site facility management are transforming, and will continue to transform, the ways in which facility management is delivered. Capital expenditure requirements to invest in new technology and equipment and train personnel will favor larger operators who have deployed new technology to reduce their cost base through automation of certain processes such as scheduling and transportation planning.

Sustainability. New forms of regulation and voluntary measures aimed at improving energy efficiency, minimizing waste and otherwise responding to climate change have emerged or are further expected to increase the cost and complexity of performing certain facility management or laundering and sterilization tasks, especially for multi-site businesses. Moreover, increased awareness among customers and other stakeholders regarding environmental issues has resulted in an examination of environmental efficiency of their buildings, assets and grounds or

laundering and sterilization operations. Both these factors may lead to an increase of demand for outsourcing providers since they are specialized and professional operators that independently ensure sustainability requirements are met.

Return-on-investment. Healthcare customers, PSEs and private sector customers with income-generating real estate assets consider the refurbishment and management of their real estate portfolio as a driver of revenue generation. Similarly, retailers and other businesses that receive the public on their premises (i.e. banks and hotels) must pay attention to the user experience, and therefore, we believe facility management has an important role to play in supporting revenue generation of such businesses. Therefore, we believe that such customers may consider using professional facility management providers as an optimal solution to ensure the proper management of their facilities.

Certifications. New forms of certification requirements in areas such as employee safety may require additional costs and effort for our customers to meet defined minimum standard requirements in the management of their facilities or in the laundering and sterilization services for their activities. We believe this trend may increase customers' interest in outsourcing the relevant activities to specialized operators.

COVID-19. The COVID-19 pandemic has led to an increase in "ad-hoc" demand for facility management and laundering and sterilization services. Facility managers have required the ability to flexibly manage their resources, personnel, supplies and equipment during the COVID-19 pandemic in order to control the spread of the virus. Cleaning, sterilization and laundering services and provision of surgical kits and PPE were particularly in high demand. While some of this demand is expected to normalize once the COVID-19 pandemic is under control, we expect a portion of this "ad-hoc" demand to remain in place, especially in relation to hygiene, reconfiguring the workplace and the need for spacing measures.

The healthcare end-market of the facility management market

According to Precedence Research, the global healthcare facility management market size is expected to reach $473.2 billion by 2027, growing at a CAGR of 13.01% from 2020 to 2027. The main trends underpinning this growth are expected to be the following:

- an increased focus on health and wellness in both business and private life;
- an increased number of patients due to an aging population and increased healthcare spending by both the private and public sectors;
- the adoption of new technologies permitting advance monitoring of facilities, efficiency and cost effectiveness;
- greater interconnectivity and access to information via the so-called Internet of Things and other connected devices; and
- greater awareness that cleaning is an important element in the fight against disease spreading within healthcare facilities.

As technology and specialized services become more prominent and increasingly integrated in the value chain of facility management, Precedence Research expects that the deployment of facility management will require extensive technical expertise and knowledge which can favor outsourcing of this activity. Moreover, we believe that the need to maintain technological and technical quality of service will favor larger operators such as our Group against a backdrop of a highly fragmented market.

Precedence Research estimates that 30% of integrated facility management revenue in Europe is presently generated by the healthcare end-market, further indicating the prominence of this sector within the broader facility management sector.

Precedence Research further estimates that the European healthcare facility management end-market was worth $53.4 billion in 2019 and is expected to increase by a CAGR of 12.55%

from 2020 to 2027 to reach $137.0 billion by 2027. In particular, Italy's healthcare facility management end-market was worth $3.9 billion in 2019 and is expected to increase by a CAGR of 12.02% from 2020 to 2027 to reach $8.6 billion by 2027.

Healthcare facility management services can be characterized as a non-core activity of healthcare providers; however, they remain essential in order to maintain continuity of operations and quality of service.

The following presents the segmentation of the facility management for the healthcare industry according to Precedence Research.

By product type	By application	By end-user
• **Hard services** • **Soft services**	• Mechanical and electrical maintenance • Plumbing, Air conditioning maintenance • Fire protection systems • Others*	• Laundry • Waste management • Cleaning and pest control • Catering • Security • Others(*)

(*) Others relates mostly to administrative services

Hard services include air conditioning maintenance, mechanical and electric maintenance and fabric maintenance while *soft services* include laundry, medical waste management, catering, cleaning, pest control, security and administrative services.

Precedence Research expects that hard services for the healthcare end-market will grow at a CAGR of 13.34% from 2020 to 2027 whereas soft services will grow at a CAGR of 12.74% from 2020 to 2027 for a total CAGR of 13.01% from 2020 to 2027.

In terms of absolute value, soft services are expected to remain the largest product type of the market, currently valued at $98.7 billion in 2019, and projected to grow to $256.5 billion by 2027. Hard services will grow from $79.9 billion in 2019 to $216.7 billion by 2027. The main driver for the continued predominance of soft services is the renewed focus on cleaning in the wake of the COVID-19 pandemic, which is expected to incorporate increasingly sophisticated protocols.

Impact of COVID-19 on facility management for the healthcare industry

We believe that COVID-19 is likely to be a watershed moment for the healthcare industry. Within facility management for healthcare customers, Precedence Research notes that the addressable market recorded positive growth during the COVID-19 pandemic in 2020. While healthcare providers, both public and private, have been under strain in the G20+ countries, it is likely that further government and private investment and expenditure will be dedicated to the sector which can be useful for deploying more advanced services and innovations and accelerating the shift to automation. Demand for certain complementary facility management services for healthcare customers such as PPE and sample collection kits have increased dramatically during the second half of 2020 as a result of COVID-19, particularly in the European Union and the United States.

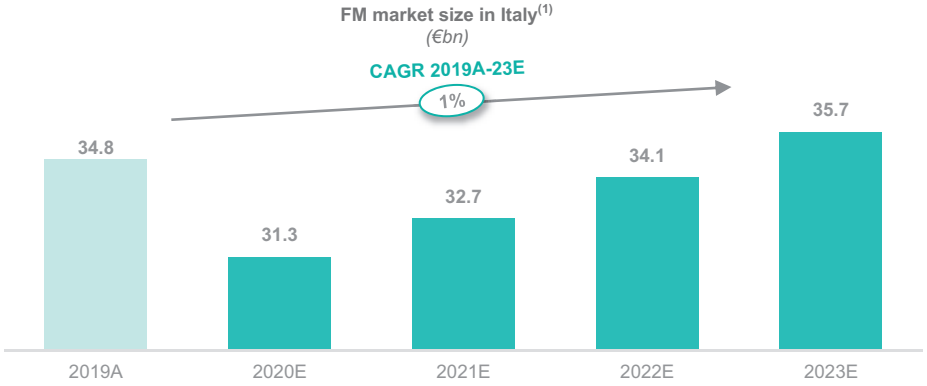
The Italian and Polish facility management and laundering and sterilization markets.

Overview of the facility management market

Italy

After a moderate increase in the value of facility management services in Italy in 2019 of 2.4% as compared to 2018, the Italian facility management market recorded a contraction—in line with the rest of the developed world in the context of the global COVID-19 pandemic. According to Interconnection Consulting, the Italian facility management market in terms of turnover is expected to decrease by almost 10% in 2020 to €31.3 billion, primarily driven by the contraction

in demand for catering, as schools and workplaces shut down or drastically curtailed the number of people permitted to visit canteens and other similar locations.

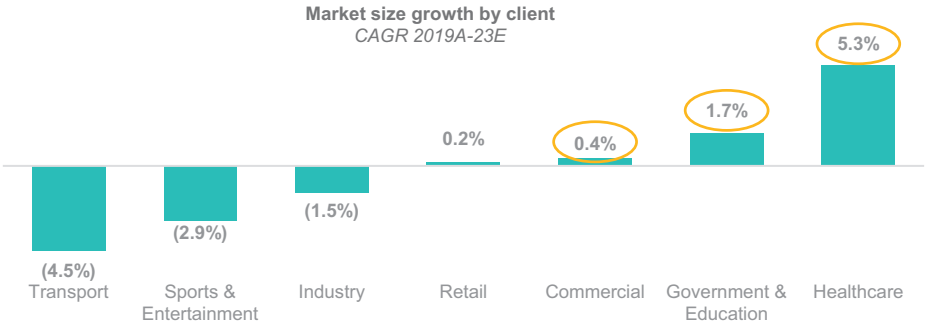


Source: Interconnection Consulting

1 Excluding Catering and Vending.

2 Excluding "Other"

According to Interconnection Consulting, the market is expected to recover to pre-COVID-19 levels prior to 2023. End-markets such as healthcare, government and education—our key markets—as well as commercial will form the key drivers of that recovery and are expected to record positive growth through the period. The healthcare end-market in particular is expected to grow by 5.3% until 2023 and outperform the growth of the commercial end-market generating more than €12.0 billion in turnover for facility management providers such as our Group.

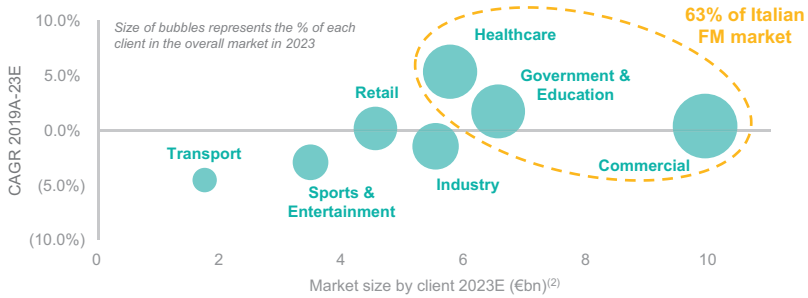


Source: Interconnection Consulting

1 Excluding Catering and Vending.

2 Excluding "Other"

By the same token, the commercial and government and education sectors are projected to grow by 0.4% and 1.7% respectively. Those three sectors, i.e. healthcare, government and education and commercial, taken together will comprise 63% of the facility management market by 2023. The foregoing trends and the projected performance of each of the end-sectors are depicted in the table below.



Source: Interconnection Consulting

1 Excluding Catering and Vending.

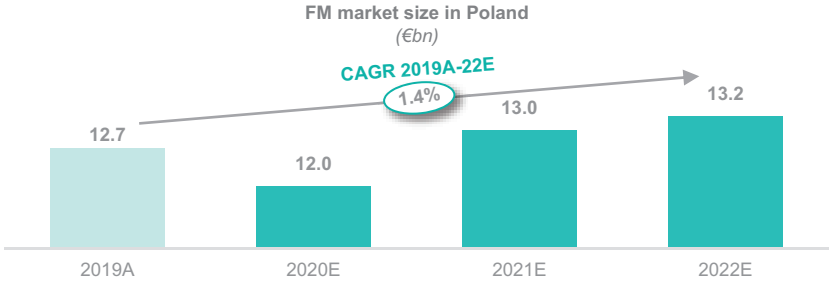
2 Excluding "Other"

The table below sets forth the historical and projected performance of the Italian facility management market for healthcare customers by product type for the years indicated according to Precedence Research.

Product Type (in billions of $, except percentages)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	CAGR (2020-2027)
Hard services	1.11	1.24	1.39	1.55	1.74	1.95	2.18	2.45	2.75	3.10	3.48	3.92	12.35%
Soft services	1.41	1.57	1.74	1.94	2.16	2.41	2.69	3.00	3.36	3.75	4.20	4.71	11.76%
Total	2.52	2.80	3.13	3.49	3.90	4.36	4.87	5.45	6.11	6.85	7.69	8.63	12.02%

Poland

The Polish facility management market is the largest in Central and Eastern Europe and has recorded strong development over the past years, reaching a total size of €12.7 billion in 2019 for external (outsourced) services, according to Interconnection Consulting. This development is strongly correlated to the growth of the Polish economy and the significant development is related to the fact that the Polish facility management market is not as developed as in other European countries.



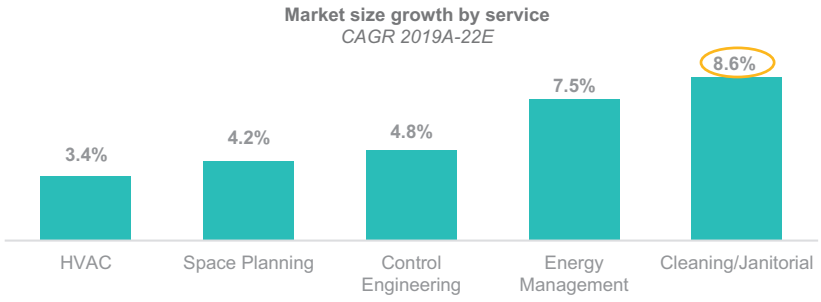
Source: Interconnection Consulting

As confirmed by Interconnection Consulting's data, the Polish facility management market (both internal and external) is highly fragmented, with top 20 players accounting for less than 7%. Such players have been investing increasing amounts in innovation and R&D. This coupled with increasing focus on products portfolio expansion appear to be the key differentiating and growth factors for players operating in Poland. The market for external services is expected to grow more than the one for internal services because, in addition to the higher quality of services, it offers customers the opportunity to reduce their own costs, which is a factor that will support the trend of automation mentioned above. Industry 4.0 and the so-called Internet of Things, trends that are restructuring industry and commerce are expected to as additional drivers of growth in the facility management market in Poland. Such trends are expected to create new opportunities for many areas of facility management. For example, soft services in Poland are dominated by cleaning and security but integrated contracts are becoming more common and typical splits of areas are becoming more challenging—mostly due to the foregoing innovations, the facility management industry will become more and more automated.

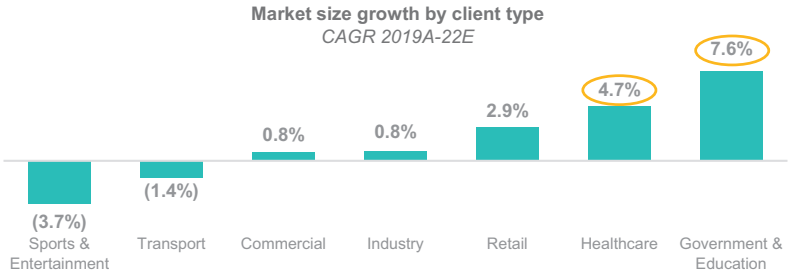
The largest services area within the Polish facility management market are infrastructural services, accounting for 48% of value in 2019 according to Interconnection Consulting, and the lowest among CEE countries. These are followed by technical services (*e.g.*, technical maintenance, energy management, HVAC, critical management) accounting for 38% of value in 2019 and entrepreneurial services (*e.g.*, accounting & controlling, property management, space planning, etc.) accounting for 14% of value in 2019.

The facility management market in Poland has performed relatively well during the crisis brought on by the COVID-19 pandemic, with first signs of deterioration starting to appear only in October 2020. According to Interconnection Consulting, the Polish facility management market is expected to decrease by only 5% to €12.0 billion in 2020, primarily due to the contraction of the catering segment. Despite the adjustments due to the COVID-19 pandemic, the trend of further automation and digitization mentioned in the previous paragraphs is expected to continue.

The Polish facility management market is expected to recover to 2020 levels already by 2021 and continue growing thereafter, as illustrated in the chart below. Such growth is expected to be driven by the increasing demand for external services as they provide higher quality. Cleaning services representing the Naprzód Group's key activity, will drive the Polish facility management market growth in the next years, growing by 8.6% in the years between 2019 and 2022, with the government and education and the healthcare end-markets expected to record a growth of 7.6% and 4.7%, respectively, over the same period. The COVID-19 emergency and the measures associated with it are expected to create and increasing demand for cleaning services linked with higher hygiene standards and are expected to significantly affect the future development in the area of space planning.



Source: Interconnection Consulting



Source: Interconnection Consulting

Overview of laundering and sterilization

We provide laundering and sterilization services in Italy with a focus on the healthcare sector. We also provide laundering and sterilization services in Poland through our subsidiary Naprzód Group and Turkey through our subsidiary EOS. Laundering and sterilization services are essential for healthcare providers and require specialized plants, equipment and trained personnel.

According to Precedence Research, the laundering end-user activity for the healthcare sector was valued at $23.2 billion in 2019 and is projected to grow at a CAGR of 11.86% from 2020 to 2027 to reach $56.7 billion by 2027. In Europe, the laundering end-user activity for the healthcare sector was valued at $7.0 billion in 2019 and is projected to grow at a CAGR of 11.43% from 2020 to 2027 to reach $16.7 billion by 2027 and in Italy, the laundering end-user activity for the healthcare sector was valued at $0.5 billion in 2019 and is projected to grow at a CAGR of 10.88% from 2020 to 2027 to reach $1.1 billion by 2027.

We believe changes in health and demographic indicators, such as an aging population, mean that such services cannot be easily curtailed and indeed may need continue to grow due to organic demand or due to further outsourcing.

General industry characteristics and trends

Automation and increased technological prowess

New generations of laundering and sterilization-related machinery are more widely used in the marketplace and have increased the usage and level of technology of the market. Though the initial investment may be significant, the efficiency and quality control gains from automation and technology can potentially amortize the costs, in particular when the volumes are sufficient to maintain the machines running at consistently high utilization. We believe this trend will favor

larger operators such as our Group who can coordinate the logistics of multi-location intervention and exploit economies of scale with respect to their plant, property and equipment.

Marketplace with consistent growth and established market leaders

The Italian facility management marketplace is both growing and fragmented. Growth in the already outsourced portion of the facility management sector has been consistent over the recent years notwithstanding the difficult economic environment in Italy and we believe this trend will continue in the foreseeable future. We believe this is also due to the Italian market being underpenetrated as compared to more mature markets such as United Kingdom. As a result, the trend for increased the outsourcing counter-balances the wider effect of economic stagnation.

We believe we are the largest facility management services provider in a highly fragmented Italian market. Extrapolating from the market figures provided by Interconnection Consulting, we were the leading player with a market share of 2.8% in 2019, by far the most consolidated player as the second largest facility management group had a market share of slightly more than half of ours at 1.3%. Interconnection Consulting reports rising market concentration for such larger operators and conversely a trend towards strategic partnerships and niche concentration for smaller firms. Foreign operators have a limited presence in the Italian facility management marketplace. Certain European or multinational groups such as Engie, Veolia Environment, Sodexo and Johnson Controls have subsidiaries present in the Italian market but they are mostly focused on providing specific services and not integrated facility management. ISS, the large Danish facility management provider was the last competitor to enter the Italian market and remains a small player. No international players have a significant presence in the integrated facility management offering in Italy that rival the scale of our Group.

High barriers to entry

Many companies offer basic infrastructural and entrepreneurial services, such as cleaning and property management. However, the trend to outsource facility management has created increased barriers to entry as players with national (*versus* local) scale and with multi-service (as opposed to niche single services), have become more important to key customers as a means of cost and time saving, and the shift towards more complex and centralized tenders increasingly requires a broad geographical coverage, a high level of organization with specific technical competence in many different areas, as well as a substantial, highly skilled and dedicated work force. We believe that the requirements to organize and manage multi-site logistics and business operations chains to meet the scale needed to serve multiple locations across Italy with an integrated offer of several different services function as key barriers to entry. We believe there are high barriers to enter the laundering and sterilization market because providers of services such as sterilization are required to manage complex logistical chains supported by state-of-the-art information technology systems, as regulatory and quality control requirements require the ability to track the status and provenience of singular specific items, such as surgical instruments, as they undergo collection, sterilization and delivery.

Finally, we believe that stringent public tender requirements in Italy are another barrier to entry due to the complex technical requirements of the proposal and related documents that operators must prepare to participate in public tenders. We have regularly participated in public tender processes and have the expertise and personnel to successfully bid in such processes.

Importance of public sector contracting in the Italian marketplace

The Italian marketplace is characterized by a very high demand from the public sector. The healthcare sector in Italy remains largely operated by public health authorities. The Italian government for the past couple of years has been increasing the efficiency of these process, to obtain savings from the public administration functioning. We have discerned a general trend tending towards a lower number of public tenders by PSEs and healthcare customers, with each such public tender having, however, a higher value and requiring an increased geographical coverage. In order to remain competitive, we believe that facility management and laundering and sterilization players will need to have adequate size and internal know-how, which as of

today we believe only the few leading players such as the Group can guarantee in the Italian market. See "*Management's discussion and analysis of financial condition and results of operations—Principal factors affecting our results of operations—Fewer but larger public tenders*."

Essential services

We believe facility management and laundering and sterilization activities are essential to support the operation of our customers business. Sterilization, in particular, is a key operational component of the healthcare sector. The outsourcing of such activities, which are non-core activities for customers, enables them to focus on core business matters while outsourcing to a professional operator to efficiently provide facility management and laundering and sterilization services. As a result of the COVID-19 pandemic, there is a greater focus on cleaning and sanitization which must be undertaken by properly equipped personnel in order to assist in combating the virus, and we are at the forefront of this trend.

National networks and proximity to customers is key to service providers

The close proximity of service providers to customers is key in the facility management and laundering and sterilization markets. A strong national and regional network, such as our Group's facilitates relationships with customers in several ways. Service providers can promptly respond to customer needs, provide services through their own personnel and acquire in-depth knowledge of their customers. Through the application of such know-how, outsourced providers can deliver faster services tailored to customers' needs. We believe providing the majority of services directly through the outsourced provider's own personnel rather than through subcontracting fosters information sharing with customers and the ability to cross-sell other services. In addition, geographical proximity reinforces the interactions with customers and develops stronger and long-standing relationships between customer and the service provider, thus becoming a key factor for the success and future of the provider's business.

Specialization and professionalization of service providers is on-going

The growth of outsourcing is expected to continue and service providers in the Italian market will be increasingly seek to distinguish themselves through the specialization and professionalization of their services. We believe that demand for highly-technical sterilization services will drive growth in the healthcare sector of the Italian laundering and sterilization market. We believe that the underlying trend is the demand for industry-relevant experience and specialized services, such as operators with in-depth knowledge of healthcare customers or PSEs and public sector contracting, operators able to provide specialized services to healthcare customers and operators with the technical competencies to achieve costs savings from increased energy efficiency. We also, believe that the market will remain fragmented but increasingly bifurcated between small-scale operators focused on infrastructural and entrepreneurial services and larger-scale operators with multi-service offerings and with national presence, such as the Group.

Single contracts predominate but pricing pressures spur trend towards multi-service and integrated services

We believe customers generally assume they can obtain better pricing by working with a single provider of multiple services. Price competition amid uncertain economic competition reinforces this trend as providers seek to offer more than one service in order to differentiate themselves from the competition and obtain new business and/or retain existing customers. Furthermore, we believe customers perceive a single interface for the whole of their facility management and laundering and sterilization activities to be more efficient from a time and cost perspective.

Competition and market position

General

As an outsourced service provider, we face competition from both other outsourcing operators and in-house operations of many customers and potential customers. We believe that

outsourcing of facility management is a trend that we expect to intensify due to a variety of factors, including exploiting economies of scale in purchasing of materials and efficiencies related to full utilization of highly technical staff and capital-intensive equipment. We believe laundering and sterilization activities in the healthcare sector will generally remain stable as much of the market has already been outsourced, and the trend of outsourcing sterilization activities will continue. The decision to opt for an outsourced provider of facility management is often based on the circumstances and strategic plans of that particular customer/potential customer which we cannot necessarily influence with our value propositions.

Facility Management Segment

Italy

According to management estimates, we are the largest operator in Italy in the facility management market with a market share of 2.8% in the year ended December 31, 2019. A large degree of fragmentation still prevails according to Interconnection Consulting.

We believe that the market for facility management services is bifurcated. The market for the provision of basic facility services to SMEs and certain large public and private sector customers with few sites is highly fragmented. General cleaning and hygiene and energy and HVAC management to relatively few locations in Italy can be provided with very limited resources and, as a result of these low barriers to entry, it is likely that the market for such services to such customers will continue to include a large number of smaller operators. However, in recent years we have discerned, and to an extent, participated in, a trend towards consolidation in the market for providers of a multiservice offering with geographic scale.

The following sets forth a list of our main competitors that are able to provide integrated facility management and service multi-site customers.

- Coopservice Soc. Coop.p.A.;
- Engie;
- Siram S.p.A. (Veolia Environnement).

Poland

According to Interconnection Consulting, the Polish Facility Management market is highly fragmented, with the top 10 players accounting for less than 10% of the total market value in 2018.

We believe the Naprzód Group is the leading player in the healthcare end-market with a market share of approximately 6% in 2018. Naprzód Group's nearest competitor in the healthcare end-market, the Impel Group, has a market share of 1.2%.

The following sets forth a list of our main competitors in the Polish market:

- Impel Group;
- Solid Security; and
- Sodexo.

Laundering and Sterilization Segment

We believe the Italian laundering and sterilization market is characterized by high dynamism with a mix of small, medium and large-sized operators. As we focus on larger contracts of a certain scale (multi-site or encompassing a large volume of articles to launder), we compete mostly with medium- to large-sized operators.

The following sets forth a list of our main medium- to large-sized competitors in the laundering and sterilization segment:

- Servizi Italia S.p.A.;

- So.Ge.Si. S.p.A.;
- Adapta S.p.A. (Gruppo Innova);
- American Laundry Ospedaliera S.p.A.

Business

Overview

We are the leading provider of facility management services and a leading provider of laundering and sterilization services in Italy, with strong or developing positions in other countries, including Poland through the acquisition of the Naprzód Group, Turkey and France, and with a track record of success through continuous development and focus on delivering highly specialized essential services. We provide integrated facility management services ranging from building and plant maintenance, energy and cooling-related technical services, cleaning services and a variety of specialist services to healthcare providers. We benefit from strong market coverage and positioning in each market segment in which we operate. We serve a diverse range of over 1,500 customers, including public sector entities, healthcare services providers and private sector companies in Italy and in our international markets, supporting them in maintaining and improving the quality, efficiency and safety of their operations. Given the essential nature of the services we provide in the healthcare sector, we are a trusted partner to our customers navigating the challenges of the COVID-19 pandemic.

Our success draws on our long history dating back to 1938 when we began providing services to the Italian state-run railway network. Since 2003, when we were spun off from MSC, our controlling shareholder, to consolidate as an independent group, we have emerged as a multi-disciplinary provider covering most of the areas of facility management and laundering and sterilization services. For example: (i) in the healthcare sector, we provide laundering of linens, sterilization of surgical instruments and management of pharmaceutical logistics, all of which are essential services for the continued adequate care of patients and support our customers' continuity of operations during the COVID-19 pandemic, (ii) in the public sector, we provide daily cleaning, heating and plumbing systems maintenance and landscaping for public schools, state buildings and museums that allow them to receive visitors and users, and (iii) in the private sector, we maintain diverse retail and office spaces and telecommunications towers for our customers which keep their operations running smoothly.

Manutencoop Società Cooperativa, our controlling shareholder, holds 100% of our share capital and has helped us to focus on our core offering and our targeted international expansion. On July 2, 2018, we rebranded from Manutencoop Facility Management to Rekeep. This new brand identity was part of (i) a wider redefinition of the Group's organizational system focusing on the growth of internal resources, the promotion of young talent and an increasingly widespread female presence at the highest levels of the Group and (ii) a repositioning of the Group for growth and development on an international level. Our new brand identity emphasizes our increased international orientation and our aim to continue to take care of the environment that people occupy and to improve their standards of living and working.

We position ourselves as a solution provider rather than a service provider as we are able to offer all of our services on a fully integrated basis and we leverage our deep understanding of our customers' businesses and industries and the regions in Italy where they do business to customize our services to their needs. Unlike many of our competitors, we deliver solutions by relying significantly on our own expertise and resources. We refer to this ability to implement our business strategy in support of our customers' objectives as a "make" rather than a "buy" approach, which we believe constitutes a key competitive advantage for us. With a headcount of more than 27,000 people, we believe we are the undisputed leader in the Italian facility management market as of the date of this Offering Memorandum.

For the twelve months ended September 30, 2020, we generated total revenue of €1,047 million and *Pro forma* Normalized EBITDA of €116.9 million, corresponding to an 11.2% *Pro forma* Normalized EBITDA margin as percentage of total revenue.

Service offering

We believe we distinguish ourselves through the quality and breadth of the services that we regularly provide to our customers and the custom solutions we can devise both for their facility

management and laundering and sterilization needs. Facility management services can be divided into three broad areas: technical, infrastructural and entrepreneurial. We operate across all these three areas. As attested by our market shares and revenues, we particularly excel at providing a wide array of technical services, including technical maintenance and control engineering. Laundering and sterilization services are provided in Italy through Servizi Ospedalieri (and its subsidiaries) and in Turkey through EOS and they mainly involve rental and industrial laundering of bed linens, linen packaging and provision of mattresses as well as sterilization of linen and of surgical equipment.

In addition, we have strong capabilities in infrastructural services as demonstrated by our cleaning unit and we also provide certain support and digital services for enterprises. Recently, through our holding company Rekeep World, we have grown our business in the international "business to business" markets via acquisitions, including in Poland (through the acquisition of the Naprzód Group, leader in Poland for facility management in the healthcare sector) and organic growth, including in France and Turkey, thus leveraging our existing experience in the facility management and laundering and sterilization markets in Italy. Our international activities, which generated 11.7% of our total revenue for the twelve months ended September 30, 2020, along with a strong trend of organic growth characterized by an increased focus on the healthcare sector, fostered our backlog which totaled approximately €2,821 million as of September 30, 2020, an increase of €271 million as compared to September 30, 2019.

On an organizational level, we classify our services to our customers through two reporting segments: the Facility Management Segment which generated 85.9% of total revenues (gross of intra-group eliminations) and 68.2% of EBITDA in the twelve months ended September 30, 2020 and the Laundering and Sterilization Segment which generated 14.4% of total revenues (gross of intra- group eliminations) and 31.8% of EBITDA in the twelve months ended September 30, 2020.

In addition to our service offering, we also position ourselves as value-added partners to our customers, building long-standing relationships based on our industry experience in the public sector, healthcare and certain segments of the private sector such as telecommunications, retail and financial services. We believe we have become trusted providers of essential services to government agencies, healthcare services providers and larger private customers. We also believe that our ability to propose customized solutions, which allowed us to become exclusive providers of facility management and laundering and sterilization services for a number of such customers, has helped us increase or maintain our market share in recent years.

Our strengths

We believe a number of key factors give us a competitive advantage and make our business strong and resilient, including:

Favorable market trends supporting organic growth.
Favorable structural trends, including population growth, aging populations, and greater awareness and demand for healthcare services in general which we believe the COVID-19 pandemic has reinforced, have supported the growth of our addressable market and permitted us to consolidate a leading position in the facility management, laundering and sterilization markets in Italy. We have leveraged our leading position and expertise in Italy to take advantage of opportunities to expand our business internationally. We expect these favorable structural trends will continue to provide opportunities to drive our growth, in particular in the healthcare sector.

Additionally, we operate in an industry that has performed strongly over time and we expect this trend to continue. The Italian facility management and laundering and sterilization markets have historically outpaced GDP growth. According to Interconnection Consulting, the Italian facility management outsourced market is expected to report a CAGR of 1.0% over the period 2019 to 2023. We believe this demonstrates the non-discretionary nature of the solutions we provide and the resiliency of our business model.

We also expect the trend towards fewer and larger public tenders in Italy organized by regional clearinghouses on behalf of PSEs and healthcare customers that typically involve larger geographical areas and increased quality and financial requirements to continue, permitting us to compete based on our offering, leverage our scale and our capabilities delivering services at multiple locations, rather than simply by price. As the market leader in Italy with superior capabilities to deal with larger projects, we believe we are well positioned to benefit from these trends and further strengthen our leadership position.

Moreover, we have benefitted and expect we will continue to benefit from a trend towards the outsourcing of facility management. Customers recognize that to outsource their non-core functions to us helps promote their operational efficiency whilst generating cost savings. Interconnection Consulting estimates that external facility management services markets will grow steadily as more and more companies and PSEs look to outsource large parts of their operations. The portion of the Italian facility management market that is already outsourced is expected to grow and reach €35.7 billion in 2023, with a CAGR of 1.0% from 2019 to 2023. We believe there is significant untapped potential in the outsourcing of facility management in Italy, as outsourcing trends are expected to accelerate in the context of a difficult economic conditions following the COVID-19 pandemic (source: Interconnection Consulting). Therefore, we believe that outsourcing trends will continue and serve to increase our addressable market, permitting us to further consolidate our leadership and concentrate on larger, more complex tenders where our scale and capabilities add value.

We are also well positioned to address customers' increasing preference for integrated "one-stop-shop" solution providers that can offer a full range of services. Our size, skills and experience enable us to tailor our services according to customer needs, which are becoming more complex and specialized due to more robust certification requirements, growing energy efficiency initiatives and increasing outsourcing trends in both the public and private sectors. We have taken advantage of these trends to become a leading provider of facility management, laundering and sterilization services to the healthcare sector in Italy. Our international expansion in France and Turkey, which we have achieved organically, and in Poland, which we have achieved through the acquisition of the Naprzód Group, are further examples of our business growing to take advantage of favorable market trends, with a focus on the healthcare sector. On an illustrative basis, had the Naprzód Group been included in our scope of consolidation for the twelve months ended September 30, 2019 (the acquisition was completed on November 1, 2019), based on the financial information provided to us by the sellers and using the average exchange rate for Polish złote for the relevant period, our consolidated Normalized EBITDA would have been €110.5 million and we would therefore have recorded a 5.8% increase as compared to the twelve months ended September 30, 2020 to €116.9 million in *Pro forma* Normalized EBITDA, showing the strong underlying performance of our business on a constant perimeter.

Leading integrated facility manager operating in a fragmented industry.

We believe we are the largest facility management services provider in a highly fragmented Italian market. Extrapolating from the market figures provided by Interconnection Consulting, we were the leading player with a market share of 2.8% in 2019, by far the most consolidated player as the second largest facility management group had a market share of slightly more than half of ours at 1.3%. We believe no competitor can match the extent of our services and capabilities or our broad focus on a large array of segments, making us a "one stop shop" for our customers. Following the Naprzód Group acquisition in 2019, the leader in Poland for facility management in the healthcare sector, we expect to maintain and grow its leadership in integrated facility management in Poland with a focus on the healthcare sector using our existing facility management know-how and focus on operational synergies. Moreover, in the healthcare sector of the Italian laundering and sterilization market, we are one of the only two players with national scale and we were the second largest player in 2019 with a market share of 17.7%.

In Italy we have historically gained market share from a variety of competitors and defended our market position from foreign entrants. We maintain long-term relationships with many of our

customers that allow us to have access to additional revenues deriving from discretionary and non-discretionary spending. With a team of public tender specialists across our Facility Management Segment and Laundering and Sterilization Segment, the considerable resources invested in technical evaluation and preparation of bids, as well as the depth of our service offering and national coverage in Italy, we believe we are well-positioned to defend and/or gain market share in Italy. Our long-standing relationships with healthcare, PSEs and private customers have fostered a trust-based relationship.

Our international expansion, in particular in Poland, and with further growth expected in our French and Turkish operations, will leverage our existing experience with our markets and customers to replicate our successful model in Italy as we build upon our international service offering.

Essential service provider with a clear focus on the healthcare sector.

We are a fully integrated facility management operator providing essential and specialist services to our customers, including logistical and technical maintenance, laundering and sterilization. We are a key player in the healthcare sector with a diversified customer base as demonstrated by approximately 59% of our revenues for the twelve months of September 30, 2020 being generated by healthcare customers and approximately 75% of our backlog as of September 30, 2020 being attributable to contracts secured with healthcare customers. We have more than 300 healthcare sector customers and we provide services to over 500 hospitals in Italy and Poland, including some of the largest and most respected public and private health institutions. We believe we have the broadest range of healthcare services among our competitors, with around 7,000 specialist employees operating in (i) hygiene (more than 5,000 specialist employees), (ii) integrated services and (iii) sanitation and disinfection of surgical equipment and materials. The indispensable nature of our services is demonstrated through our ability to offer sanitation and disinfection services to intensive care units, our 24/7 emergency services and our assistance in the setting up of triage centers for COVID-19 patients at various hospitals in Italy, assisting healthcare providers to dispense care to their patients, re-arrange their wards and maintain continuity of operations during the COVID-19 pandemic.

We believe our capacity to offer a wide range of integrated services and the essential nature of some of these services represents a significant opportunity for our customers, who can rely on a single supplier without compromising the quality of the services rendered.

Long tenured and diversified PSE and private customer base.

We have a long-standing, high-quality and diversified customer base. Our ability to provide integrated facility management services and geographic proximity allows us to serve as a "one-stop-shop" for reputable and top tier companies and institutions in the healthcare, public and private sectors. Our customers include large PSEs (such as central government ministries, local governments and universities), major public healthcare institutions and leading private companies with a presence across Italy (such as Amazon, NTV-Nuovo Trasporto Viaggiatori (Italo), Michelin, TIM and Wind). Our established network in both our segments throughout Italy positions us to provide services to our customers quickly and continue to develop close, long-standing relationships directly with our customers. We operate in 51 offices and branches in our Facility Management Segment and 29 facilities in our Laundering and Sterilization Segment.

For the year ended December 31, 2019, our top 10 customers generated 21% of our total revenue. Customer relationships exceeding ten years, ranging between five and ten years and lasting less than five years accounted for 45%, 44% and 11%, respectively, of the revenues generated from our top 40 customers for the year ended December 31, 2019.

A highly resilient business with visible and recurring revenue streams.

We believe our customers consider our services as essential in supporting their businesses and operations. They also view our high-quality and technical services as more cost effective than rendering such services internally. The resiliency of our business has translated into long-term contracts with our customers. Our focus on healthcare sector services also provides us with clear

visibility on our future revenues. The average term of facility management (healthcare) contracts, laundering contracts and sterilization contracts is 5.3, 3.4 and 4.1 years, respectively, whereas our contracts with private sector customers have an average term of one to three years and three to four years for PSEs. The increase in the volume and sophistication of the healthcare services we provided during the COVID-19 pandemic, including provision of 2,000 tons per month of sanitized hospital clothes, critical PPE, on-site crisis management units deployed to support our healthcare customers and focus on disinfection of high-risk hospital areas, demonstrates our Group's ability to provide our customers with reliable solutions. The healthcare sector generally provides us with opportunities to generate higher profits, reinforced through a shift to a higher-margin product mix, as demonstrated by cash generation in the third quarter of 2020 matching pre-COVID-19 levels despite the drop-in revenue from non-essential PSE and private sector customers with curtailed operations given the nationwide lockdown. Further revenue visibility is gained from our backlog, at €2,821 million as of September 30, 2020, as its absolute value represents the equivalent of almost three years of revenues, at current yearly revenues rates. The backlog is mainly related to contracts with PSEs and healthcare customers, which represent contractually committed future earnings. We have a diverse customer base with a high retention rate with over 1,500 customers and our top 10 customers accounting for only 21% of our revenues in 2019 and an around 90% contract renewal rate as of December 31, 2019 with respect to our top thirty customers for the year ended December 31, 2014.

Asset light model with steady growth and stable profitability.

We have an asset-light financial profile, principally composed of variable costs and with a highly flexible cost structure. Our direct costs mainly relate to specific contracts and management has various levers to match costs with revenue-generating opportunities and redeploy personnel and assets according to bid requirements on the most attractive tenders. We also have tight working capital management practices with a strict focus on invoicing and collections.

Additional flexible costs include those relating to raw materials, outsourced services and personnel recruited under the framework of CCNL Multiservizi which sets forth the transfer of personnel upon transfer of projects or contracts. Out of 27,774 employees as of September 30, 2020, approximately 13,764 workers (approximately 50% of our total workers) are employed by us in the context of specific projects. Labor costs are the single largest component of our cost structure and we spent approximately €216.5 million, €229.4 million and €228.4 million, respectively, in costs for workers employed under CCNL Multiservizi, equal to 69.1%, 73.8% and 81.8% of total labor costs of the Group for such periods. These employees remain employed by the Group while we undertake the relevant projects and contracts to which they are attached.

Our business has demonstrated steady growth and generated a steady profit in recent years. We are highly cash-generative, with low and stable capital expenditure requirements. We believe we produce one of the best-in-class margins in both our Facility Management segment and Laundering and Sterilization segment, as compared to our local and international competitors. For the years ended December 31, 2017, 2018 and 2019, we achieved an average Normalized EBITDA margin of 11.0%. At the segment level, our Facility Management segment had an EBITDA margin (gross of intra-group eliminations) of 8.3% for the twelve months ended September 30, 2020, which we believe to be one of the highest among both Italian and international key competitors, while our Laundering and Sterilization Segment had an EBITDA margin (gross of intra-group eliminations) of 23.0% for the same period, which we believe to be among the highest in the Italian market due to our ability to harness economies of scale, adopt an integrated approach to service delivery and deploy best-in-class technology. As further evidence for our best-in-class margins, according to Precedence Research, we have achieved the second highest average gross margins between 2016 and 2019 out of a sample of eight British, Nordic and American-headquartered integrated facility management providers (present in Italy or not) with an average of gross margin of 12.2% as compared to a mean of 10.3% for the sample consisting of Ecolab Inc. (USA), Compass Group plc (UK), Aramark Corporation (USA), Mitie Group plc (UK), Jones Lang La Salle IP Inc. (USA), ISS World Services A/S (Denmark) and ABM Industries Inc. (USA).

Our strategies

Our objective is to strengthen our position as a leading integrated facility management provider in Italy and to achieve sustainable profitable growth and strong liquidity through the following strategic pillars:

Focus on highly profitable sectors in our Facility Management and Laundering and Sterilization Segments.

We intend to continue to concentrate our efforts on competing in the most profitable sectors by providing an unparalleled service offering and custom solutions throughout Italy and in our international markets to a highly diversified customer base. We intend to fully leverage our positioning in the fastest and largest customer segments, such as the healthcare and PSEs sectors, which are expected to grow at a CAGR of 5.3% and 1.7%, respectively, over the period from 2019 to 2023 according to Interconnection Consulting. Furthermore, we intend to consolidate our leading position in high-margin/less price sensitive services, such as healthcare services and sterilization of surgical instruments, by relying on our fully integrated offering of solutions. Within our Facility Management Segment in Italy, which generated 85.9% of our total revenue in the twelve months ended September 30, 2020, we intend to continue to focus on (i) competing for large public tenders awarded on the basis of technical quality of the service offered rather than solely on a cost basis and (ii) executing framework agreements with the public administration to grow our market share. In addition, we continue to target sector (i) where customer operations can be enhanced and savings generated through outsourcing their facility management activities to us and (ii) where our services are essential for customers' business continuity (including, for example, healthcare, private clinics and infrastructure facilities), to fully embed our services within our customers operations. Finally, we have developed, and expect to continue to penetrate, growth sectors that include high quality PSEs and private sector names whom we can serve through deployment of our national network, specifically in the transportation (especially rail) and retail (supermarkets) sectors.

Continue to consolidate market presence through bolt-on acquisitions in Italy and in select international markets, replicating our successful business model.

The Italian facility management services industry remains highly fragmented, presenting us with a significant potential for growth, favorable dynamics and attractive, as well as value accretive, acquisition opportunities. We intend to evaluate opportunities to acquire and integrate other service providers in order to strengthen our competitive position, broaden the range of our offering and increase our presence in Italy, Poland and France. We believe our know-how and our ability to offer a large and diversified range of integrated services is a key competitive advantage. We intend to continue to grow through strategic bolt-on acquisitions by focusing on targets that provide access to technical capabilities or geographic coverage that complements our existing capabilities.

Following the positive impact of our past acquisitions, including the acquisitions of Medical Device S.r.l. in 2018, and the Naprzód Group in Poland, in 2019, we intend to continue our internationalization program started at the beginning of 2016 by focusing both on organic growth and disciplined acquisitions. For example, we purchased Medical Device S.r.l. which was then in a complementary niche of the production of surgical kits, and successfully integrated it into our healthcare customer ecosystem, more than trebling its cash generation and successfully winning contracts. We intend to continue to grow selectively within complementary geographic markets, with a focus on markets where we believe we will be able to efficiently leverage our cross-functional and market-oriented business model that allows us to deliver integrated services and provides our customers with seamless assistance across our activities.

Selective further expansion of our business with the development of our historical core activities and new EBITDA accretive initiatives.

We intend to pursue our strategic objective of growth through the planning and development of our historical core activities and new business initiatives and we intend to explore new market

opportunities to the extent the expected returns justify the investment. For example, Medical Device S.r.l. and the Naprzód Group offer platforms to further penetrate the healthcare sector in our home market in Italy and in an attractive market in Poland, respectively, and Polish healthcare facility management segment is projected to grow at a CAGR of 4.7% from 2019 to 2022 according to Interconnection Consulting. We believe this to be an attractive consumer-based business model with high growth potential where we can offer a very competitive set of services to households by leveraging on our integrated services expertise and local presence.

Consolidation of our leadership in the public administration segment.

We intend to continue to consolidate our leading position among Italian PSEs and healthcare customers and further increase our market share by acquiring new contracts with large centralized purchasing agencies of Italian PSEs and healthcare customers to achieve high working volumes allowing us to leverage our economies of scale. We intend to use our in-depth knowledge of the requirements and tendering process in the Italian market and our ability to meet regulatory requirements and offer the full range of services required to win new contracts. In particular, the aggregation of PSE contracts through regional purchasing authorities' framework agreements that often comprise a larger range of services and/or geographic areas is particularly attractive because such contracts focus on a combination of cost and quality and award, subject to certain terms and conditions, rights to provide services for up to a set maximum amount in a specified region for a certain period. Our scale and national presence in Italy permits us to quickly begin performing under such agreements and therefore turn public tender wins into ready cash generation. Following successful tender wins under framework agreements, we intend to continue to actively promote our services to the PSEs in our assigned geographical areas, using our know-how to propose both routine and non-routine services to our customers, thereby realizing the maximum revenues potential thereunder. Our size, technical offering and operational expertise provide us with a compelling advantage to seize such opportunities.

Drive cash flow generation and deleveraging.

We intend to exploit the potential of our business to generate strong cash flows from operations through preserving our high profitability, improving working capital management, maintaining low capital expenditures and continuing to decrease our financial indebtedness. As of December 31, 2017, 2018 and 2019, our Net Debt amounted to €158.9 million, €299.4 million, €341.9 million, respectively and our Net Debt as Adjusted will amount to €357.5 million as of September 30, 2020 with a ratio of Net Debt as Adjusted to *Pro forma* Normalized EBITDA and ratio of Gross Debt as Adjusted to *Pro forma* Normalized EBITDA of 3.1x and 3.6x, respectively. We intend to increase our cash flow generation and maintain our strong profitability, through a razor focus on efficiency improvements aiming to achieve a reduction and optimization of (i) fixed costs, through constant monitoring of general and administrative expenses, (ii) variable costs, by way of optimizing the deployment and utilization of our personnel and renegotiation of agreements with suppliers, and (iii) capital expenditures, by way of rationalization of our major investments (information technology and linen) and adopting consistent internal rate of return thresholds. Following the disposal of certain non-core activities in recent years, such as Gruppo Sicura, MIA and our public lighting business, we are now resolutely focused on extracting synergies and organizational efficiencies in our core business activities. In addition, intend to improve our working capital management by accelerating our invoicing procedures, increasing our focus on customer interaction and strengthening billing and collection procedures through coordinated and organized series of data collection initiatives (i.e. periodic visits to customers). Adjusting for the purchase of Naprzód and the disposal of Gruppo Sicura as if both had occurred on January 1, 2018, for the monitoring fees paid to MSC and reversing the adjustment for Poland's international start-up costs accordingly, we generated *Pro forma* Normalized EBITDA on a constant perimeter of €109 million, €113 million and €117 million for the years ended December 31, 2018 and 2019 and the twelve months ended September 30, 2020, respectively, representing a CAGR of 4.0% over the period. See "*Presentation of financial information—Non-IFRS financial measures*."

Our history

Our controlling shareholder, MSC is a cooperative organization formed in Bologna in 1938 by 16 workers to encourage good working conditions, create employment and advance workplace safety that has grown into a large service provider and mutual assistance organization. We were formed in December 2003 through the spin-off of MSC's long-standing facility management business unit and other investments in the same sector. In 2004, a consortium of financial investors acquired an equity interest in us. Subsequently, in 2005, we expanded our operations through the acquisition of MSC's cleaning division, its landscaping division and a 45.5% interest in Roma Multiservizi, a facility management company that uses our same organization model and operates in the City of Rome and environs with a focus on PSEs. In 2007, we expanded our service offering through the acquisition of industrial laundering and cleaning companies and other facility management related technical services companies. In 2008, we successfully completed an equity capital raising from financial investors, and thereby financed the acquisition of Pirelli RE Integrated Facility Management B.V., a group of facility and project management companies from Pirelli & C. Real Estate S.p.A. (now Prelios S.p.A.) with particular strength in the private sector.

From 2010 to 2016, we restructured our Group to, on the one hand, dispose of certain non-core assets in project management and photovoltaic energy, lifting equipment installation and maintenance and public lighting sectors, and, on the other hand, rationalize and integrate our operating structure to reinforce our leadership in the facility management and laundering and sterilization markets in Italy and expand in the European Union. During the same period, we also launched new business lines, including our digital services, with the objective of growing our business in the "business to business" services market and leveraging our expertise to grow in select international markets.

On July 2, 2018, we rebranded from Manutencoop Facility Management to Rekeep as part of a wider redefinition of the Group's organization system. Our rebranding is conceptually underpinned by our international expansion and our aim to continue to take care of the environment that people occupy and to improve standards of living.

Since 2015, we have developed our international facility management organically, including in France and Turkey and, most recently, in the last quarter of 2019, through the acquisition of the Naprzód Group, which represents a well-established facility management player in the healthcare sector in Poland. In February 2020, we completed the disposal of fire prevention and fire safety company Gruppo Sicura, which was acquired in 2008.

Our organizational structure

We are a leading player in the Italian facility management, laundering and sterilization markets providing essential high value-added services which are auxiliary to the core business of healthcare facilities, PSEs and large private groups. We aim to consolidate our leadership in the Italian market by being recognized as a leading company providing fully integrated offering of solutions to large and complex healthcare and strategic facilities. We are increasingly active internationally through operations in, *inter alia*, Poland, Turkey, and France where we carry out facility management and laundering and sterilization operations for local and international clients. The services we provide may be divided into two primary segments of business:

- ***Facility Management Segment***. As part of this segment, we provide cleaning, technical services, landscaping, logistics and auxiliary services to healthcare services providers, PSEs and private sector customers. Our Facility Management Segment generated 85.9% of total revenue (gross of intra-group elimination) and 68.2% of EBITDA in the twelve months ended September 30, 2020.
- ***Laundering and Sterilization Segment***. As part of this segment, we provide linen rental, industrial laundering, linen and surgical instrument sterilization services for healthcare customers. Our Laundering and Sterilization Segment generated 14.4% of total revenue

(gross of inter-group eliminations) and 31.8% of EBITDA in the twelve months ended September 30, 2020.

Our services

Facility Management Segment

Through our Facility Management Segment, we offer a broad range of facility management services to healthcare service providers, PSEs and private sector customers. Facility management involves the provision of logistical and organizational support services to our customers' facilities in order to help customers make optimal use of their buildings and outdoor spaces. We refer to the provision of more than one such service as "integrated facility management." Our core facility management services geography is Italy and we are also active in, *inter alia*, Poland, Turkey, and France.

For the twelve months ended September 30, 2020, our Facility Management Segment generated revenue of €900.1 million and *Pro forma* Normalized EBITDA (excluding monitoring fees) of €79.9 million.

The following presents a brief description of each service area of our Facility Management Segment.

Cleaning

Cleaning activities include cleaning and hygiene services, sanitation, disinfection, pest control and rat extermination, collection, transport and disposal of hospital waste. We provide such services for customers, encompassing routine daily office and facilities cleaning, the collection, transport and disposal of sanitary waste and well as specialized cleaning services such as sanitization and disinfection for industrial or healthcare customers. Most of our manual workers are employed in this activity and management estimates that labor costs constitute approximately four fifths of our total costs in this activity. We handle a range of facilities that require different types of attention, including schools, cafeterias, factories, hospitals and office parks.

Technical services

Technical services encompass the management, running and maintenance services of property-related systems, including Energy and HVAC management. We offer complete energy and HVAC management services, from fuel supply procurement, storage and delivery, routine management and maintenance. We also manage the renovation, upgrade and ongoing optimization of HVAC systems. We offer performance-based contracts where we seek to increase our margins based on energy savings and good maintenance of the related infrastructure.

Landscaping

We provide a suite of services for the design, creation and maintenance of outdoor spaces, including gardens, green spaces, riverfronts and beachfronts, street furniture for municipalities, healthcare services providers and private sector entities. Within this service area, we also offer to our public sector entity customers a series of interdisciplinary interventions relating to the redevelopment of urban areas (urban renewal). Finally, we provide botanical census-taking and prepare maintenance plans based on geographical information systems.

Other facility management services

We also offer the following other facility management services.

- *Auxiliary services*: Auxiliary services groups certain outsourced services we provide, including internal mail-room, doorman and reception services. These services are geared towards our private sector clients.
- *Digital services:* Our digital services offering groups the following: (i) outsourced IT and business process management services, including IT support services, network operations,

IT supply logistics; (ii) building management services, such as management of building maintenance and other services and processes as well as tracking of related documentation of an accounting and technical nature; and (iii) customer care, help desks and call centers.

- *Logistical services*: Logistical services handle pharmaceutical logistics, medical/surgical device management, transport and handling of biological/biohazard material and laboratory samples as well as specialized transportation and care of patients.
- *Catering services:* Primarily in Poland through the Naprzód Group, we provide meal preparation and distribution to patients and management of hospital cafeterias.

Laundering and Sterilization Segment

Our Laundering and Sterilization Segment focuses on the healthcare segment of the Italian laundering and sterilization segment, which is the largest segment within such market. We provided the services through Servizi Ospedalieri (and its subsidiaries), and they mainly involve the following activities: (i) rental and industrial laundering of bed linens, packaged linen and mattress provider (linen rental and industrial laundering); (ii) sterilization of linen; and (iii) sterilization of surgical equipment. Our Laundering and Sterilization Segment is also active in Turkey through EOS.

For the twelve months ended September 30, 2020, our Laundering and Sterilization Segment generated revenue of €150.7 million and *Pro forma* Normalized EBITDA (excluding monitoring fees) of €35.1 million.

We provide Laundering and Sterilization services under three categories:

- *laundering of linens*: We provide washing of flat linen, ready-made linen, uniforms, patient gowns, mattresses and accessories which we lease to our healthcare customers;
- *sterilization of linens and surgical fabrics*: We provide washing and sterilization of linens used in operating rooms and reusable surgical fabrics which we lease to our healthcare customers; and
- *sterilization of surgical instruments and production and preparation of surgical kits:* We provide washing and sterilization of surgical instruments and we also produce and prepare sealed surgical kits containing tools and other accoutrements for medical professionals.

Our sterilization activities are undertaken in Italy at twenty-six sterilization facilities we manage within the premises of our healthcare customers and three sterilization centers we manage directly and in Turkey at two sterilization facilities we manage within the premises of our healthcare customers.

Our Laundering and Sterilization Segment activities also provides logistical services that are related to laundering and sterilization activities. For example, we manage the collection of used linens and the subsequent distribution of clean linens at our healthcare customers' premises. In cases where we perform laundering services at one of our four directly managed laundering centers, we are responsible for the transport of the clean and used linens from our facilities to customer sites. With respect to sterilization services, we sterilize linens and surgical fabrics and surgical instruments and surgical kits in compliance with industry standards and government hygiene and sanitary regulations. For additional information of our services during the COVID-19 pandemic, see "*Management's discussion and analysis of financial condition and results of operations—Factors affecting comparability of future results—Impact of COVID-19.*"

Our business model and service delivery

We have structured our operations to create a cross-functional and market-oriented system that we believe achieves the full integration of our departments and the coordination of our business operations division. We believe this allows us to deliver integrated services and provide our customers with seamless assistance across our activities, in order to effectively follow through our key objectives of strengthening relationships with customers and enhancing their satisfaction and retention.

Business model

Facility Management Segment

Our business operations division incorporates the following principal departments of the Group that manage customer relationships: (i) operative purchasing, which includes the implementation of our "make" approach ("**Operative Purchasing**"), (ii) sales & marketing, which includes monitoring the market, identifying opportunities and tenders' selection) ("**Sales & Marketing**"), and (iii) planning & continuous improvement, which includes preliminary feasibility analysis, designing of services and operations, technical and financial analysis, planning, control and initial phases of our operations and our ongoing service delivery, quality control and operational management ("**Planning & Continuous Improvement**").

Our value chain can be broken down into three main phases: (1) implementing our "make" approach by delivering customized solutions, (2) monitoring the market, identifying opportunities and selecting tenders in which to participate, and (3) identifying, organizing and delivering our services while assisting the customer throughout the implementation.

The first and second phases primarily involve the Operative Purchasing and the Sales & Marketing departments. By actively cultivating the synergies between these two departments, which communicate with each other through specific inter-departmental committees that meet weekly or more frequently, as required, we are able to select the tenders in which we wish to participate both in terms of our ability to meet the requirements and the associated economic feasibility and benefits.

The third phase (subsequent to the awarding of a contract) consists of the actual service delivery and is performed by our Planning & Continuous Improvement department. This department coordinates, takes operational control and monitors results throughout the phases of a project's lifecycle. This process enables us to monitor the quality of services rendered to promote customer satisfaction and then implement any corrective action that is required. The start-up sub-department is engaged as soon as tenders are won by the Group and initiates the operating procedures while the service management sub-department (with personnel spread throughout Italy in different areas with profit and loss responsibilities) is responsible for service delivery, service management, service optimization and account management.

Laundering and Sterilization Segment

Our Laundering and Sterilization Segment value chain differs slightly from the value chain of our Facility Management Segment. Laundering activities do not include a start-up phase, and instead include a production cycle related to the laundering phase. Sterilization activities include all of the phases discussed above for the Facility Management Segment (including a start-up phase that takes place upon our receipt of a public tender to provide such services at a new location) and, in addition, a production phase. The production phase comprises the pick-up of items to be laundered and/or sterilized and the industrial laundering and/or sterilization cycle followed by reconsignment (delivery/distribution and inventory management).

Service delivery

In Italy, we deliver our services through the Issuer, Servizi Ospedalieri and certain other Group companies directly or on a sub-contracting basis on behalf of the client-facing entity (typically the one that has been granted the contract pursuant to the public tender or private sector contract) depending on the type of service or services being provided, the sites and personnel required, and the type of customer. The following sets forth a brief description of the services delivered by the significant Group companies in Italy:

- *Rekeep*: integrated facility management for PSEs and healthcare customers;
- *Servizi Ospedalieri*: laundering and sterilization for healthcare customers;
- *Consorzio Stabile CMF*: integrated facility management for PSEs;
- *H2H*: facility management for private sector customers;

- *Telepost*: mailing and document management services (all customer types);
- *Rekeep Rail*: dedicated subsidiary for facility management services provided to rail industry customers;
- *Medical Device S.r.l.*: dedicated subsidiary for production of procedural kits for surgical procedures; and
- *Rekeep Digital*: facility services in the field of applications, management and sourcing.

The Consorzio Stabile CMF was established on January 9, 2019 as a permanent consortium (*consorzio stabile*), a contractual joint enterprise granted with legal personality in accordance with article 2603 et seq. of the Italian Civil Code and article 45 of the Current Code on Public Procurement permitting various entities to pool resources and participate in public tenders. We own 99% of Consorzio Stabile CMF through the following companies: 10% Rekeep, 30% Servizi Ospedalieri, 30% H2H (which entered the permanent consortium in 2020 to substitute Gruppo Sicura after we sold it), 20% Rekeep Digital and 9% Rekeep Rail). A third party partner of the Group owns the remaining 1%. According to the Current Code on Public Procurement, permanent consortia execute the public tenders won by them directly or through sub-contracting (including to their consortia members), though the permanent consortium remains joint and severally liable for the actions of its subcontractors vis-à-vis the awarding PSE.

Internationally, we typically deliver our services through dedicated local subsidiaries established in such countries, and for certain geographies, with specialized subsidiaries. In particular, we provide the following services through each company of the Group listed below:

- *Naprzód Group*: integrated facility management for PSEs and healthcare customers with a leading position in the healthcare market for soft facility management services in Poland;
- *Rekeep France*: facility management in France, with a particular focus on the rail industry;
- *EOS*: laundering and sterilization in Turkey; and
- *Rekeep United*: facility management in Turkey.

Our departments

The following is a brief description of each of the above departments and how they interact with each other to effectively put in place our cross-functional and market-oriented system.

Operative Purchasing

Our Operative Purchasing department has a key role as it implements and delivers customized solutions to our customers' facility management or laundering and sterilization needs through becoming a preferred multi-service provider. We benefit from significant in-house expertise and resources and refer to this self-contained ability to implement our business plan in support of our customers' objectives as a "make" rather than a "buy" approach, which we believe constitutes a key competitive advantage for us.

In particular, this department is responsible for (i) preparing and dealing with purchasing orders to suppliers, (ii) retaining and assigning the right professionals for the provision of services, and (iii) ensuring that the latter perform seamlessly and effectively in order to specifically address the peculiar needs of our customers.

Sales & Marketing

We have created a Sales & Marketing department which concentrates, in a single department and by geographical area, activities regarding new clients and our existing order book. The focus of the Sales & Marketing department is to prepare and execute our participation in tenders by healthcare customers, PSEs and large- and medium-sized private sector customers. Given the high

volume and value amount of business we currently undertake with PSEs and healthcare customers, such customers are currently the predominant focus of this department.

The Sales & Marketing department has developed a network of contacts across Italy and is active in our international operations. It focuses mostly on large entities, such as municipalities of cities with more than 20,000 inhabitants, provinces, regions, healthcare facilities (209 healthcare legal entities with 760 hospitals), homes for the elderly, the national, regional and provincial procurement centers (CONSIP, Intercenter, *Soggetti aggregatori Regionali*, *Unioni di Comuni*, *Città Metropolitane* and others), and medium-sized and large private businesses.

Planning & Continuous Improvement

Based on reports from the Sales & Marketing department, the Planning & Continuous Improvement department determines whether it is worthwhile for us to participate in a tender, and if so, it drafts the designs, elaborates the technical proposals and prepares the detailed technical and financial analysis.

We divide our Planning & Continuous Improvement department's activities in the following four phases:

- *Preliminary feasibility analysis*. The department carries out a preliminary economic assessment, based on our reference parameters, to support the Sales & Marketing department in deciding whether to participate in specific tenders.
- *Design, services and works*. The department drafts designs for services relevant to public tenders and formulates the designs to redevelop plant engineering systems and/or buildings.
- *Technical and financial analysis*. The department considers the costs necessary to deliver the services as designed and monitors that these services are consistent with those requested by the client. It includes an analysis of the specific offers of suppliers selected by the purchasing and logistics department.
- *Issue order*. The department, when we are awarded a contract, issues order documentation to the competent company departments, including the design and the establishment of the order's financial objectives.

Further objectives of the Planning & Continuous Improvement department entail the following activities:

- markets monitoring using a commercial data bank which our Sales & Marketing department edits and updates. This data bank is compiled through a coordinated and organized series of data collection initiatives, such as periodic visits to customers and prospective customers. Other teams analyze the activities of competing companies, the technical reports which they submit when bidding and publicly available corporate documents (for example, financial statements) and keep track of new services which they offer;
- identify opportunities through an analysis of the type of service, volumes and territories of the tenders reported by a specific office (the "**Contracting Office**") organized within the department. Our Contracting Office is responsible for managing the information system, administering the purchase process and observing regulations and procedures in public tenders. It promotes the proper flow of information among our operational departments that are involved in the process. Furthermore, the Contracting Office supervises the collection, preparation and updating of administrative documentation needed to participate in the relevant tenders;
- development and implementation of the information system needed to support the company management as regards controlling, planning, optimizing and innovating company processes associated with the delivery of the services; and

- integration of company activities in the start-up phase.

The Planning & Continuous Improvement department is organized to provide (i) procedures and systems necessary to support the creation of final accounting reports and economic objectives, and (ii) operative benchmarks (*indicatori operativi*) to evaluate progress. It also operates a project team to implement (i) organizational and operational projects, which resolve critical issues encountered in the start-up or to intervene directly in specific operational areas whenever the order complexity requires this, and (ii) testing projects related to new products and/or procedures.

We divide order management undertaken by our operational departments into three main phases: (1) start-up, (2) regular management and (3) reconsignment. The phases vary depending on the type of services delivered. With respect to laundering and sterilization services, some activities listed below are performed directly by our individual facilities located around Italy.

- *Start-up (Facility Management Segment)*. The start-up phase begins with the award of the tender and the delivery of the service and concludes when the process of producing the computerized registry has been completed. During start-up, the following activities take place: (i) activation of the contact center (as described under "—*Customer Care*"); (ii) receipt of the property to which the job order relates; (iii) instruction of the teams assigned to produce and manage the computerized registry and the procurement of technical and administrative documentation; (iv) verification with the client of the work/ maintenance plan proposed; (v) initiation of operating procedures; and (vi) presentation of the final plan for modifications to meet regulations and redevelopment work, if required.
- *Regular management (Facility Management Segment and Laundering and Sterilization Segment)*. The regular management phase begins with the completion of the computerized registry and lasts until the delivery of the relevant service has been terminated or completed. During this phase, the following activities, among others, are carried out: (i) critical analysis and updating of data obtained from the surveys conducted in the preliminary phase; (ii) updating work and maintenance plans based on specific client requests; (iii) continuous monitoring of feedback from users and the job performance control system; (iv) updating managerial strategies; (v) coordinating operations personnel; and (vi) managing the relationship with the customer. It is in this particular phase that we believe we are able to deliver value to our customers providing services that balance both customer satisfaction and profitability. We achieve this by managing our workforce to optimize workload and productivity. A Service Manager is assigned to each order for monitoring service execution in terms of costs and customer needs. A Key Account Manager is assigned to each single customer for building and maintaining a successful customer relationship and, ideally, increasing customer value by originating new service contracts or enlarging the scope of services/buildings to be managed (mainly with private sector customers). The Key Account Manager also evaluates customer feedback to increase the Group's knowledge for driving contract renewal.
- *Reconsignment*. The reconsignment phase begins with the termination of service delivery and ends with the reconsignment of the services that the Group provided to the customer.

Production—Laundering and Sterilization Segment

The Production department is only relevant to our Laundering and Sterilization Segment and includes the production cycle related to the laundering and sterilization phases which occurs in the 29 Italian facilities of the laundering and sterilization network and the three sites in Turkey. The production phase includes also ancillary activities to the laundering and sterilization, such as the pick-up and reconsignment of the items to be laundered or sterilized, consisting in managing the pick-up and reconsignment of the items at the various sites of our healthcare customers, transporting them to and from one of the 29 centers operated by our Laundering and Sterilization Segment in Italy discussed under "*—Real estate and equipment—Real estate*." In Turkey, we operate the laundering and sterilization sites directly within the premises of the relevant healthcare customer.

Our industries and building types of focus

In order to better organize our service delivery and develop solutions that are appropriate for each industry sector's and type of building's circumstances and unique facility management needs, we have established industry working groups in order to share best practices, cultivate expertise and drive contract wins.

We are organized through the following industry working groups, and we provide to each relevant industry the services described below.

- *Hospitals and healthcare facilities*. We provide integrated facility management to hospitals, healthcare facilities, clinics and ambulatory care facilities including cleaning, healthcare logistics, internal logistics, reception and door keeping, document management and mailing and IT solutions. We also provide laundering and sterilization for healthcare customers and, to a lesser extent, energy upgrading, plant maintenance and building maintenance for hospitals and healthcare facilities.
- *Offices and business centers*. We provide integrated facility management services to offices and business centers, delivering cleaning, reception and door keeping, document management and mailing and IT solutions and, to a lesser extent, energy upgrading, plant maintenance and building maintenance.
- *Schools*. We provide cleaning and IT solutions to schools and other institutions of learning and, to a lesser extent, energy upgrading, plant maintenance and building maintenance.
- *Museums and libraries.* We provide cleaning, reception and door keeping and IT solutions services to museums, libraries and other cultural institutions. Additionally, we provide certain other technical and operational services, such as energy upgrading, plant maintenance and building maintenance.
- *Sports facilities.* We have ample experience in providing daily services to sports facilities, both large and small to prepare them to receive athletes and spectators. Our main services are cleaning and IT solutions and, to a lesser extent, energy upgrading, plaint maintenance and building and grounds maintenance.
- *Retail outlets and large-scale retail trade.* We provide cleaning, logistics, building maintenance and IT solutions to a number of nationwide points of sale networks throughout Italy.
- *Transport and infrastructure.* We have integrated experience in the transport sector, providing services ranging from cleaning to maintenance, with particular expertise in rail transport. We also provide services to passengers via management of on-board services.
- *Hotels.* Hotels are a growing industry for customers of our Laundering and Sterilization Segment where we can utilize our expertise to provide hotels with an outsourced partner.
- *Urban space.* We manage common green areas, public lighting and traffic light systems, provide road maintenance and signage upkeep and integrated urban facility management from day-to-day and emergency interventions.

Customers and contracts

We are a service provider for a diverse base of healthcare (public and private) customers, PSEs and private sector customers with whom we have long-term relationships. We categorize our customers in this fashion because our experience indicates that each category places different priorities on the services they outsource and we therefore tailor our services, pricing, technical specifications and customer care accordingly.

Our top ten customers accounted for 21% of our total revenue for the year ended December 31, 2019. For the twelve months ended September 30, 2020, healthcare customers, PSEs, and private

sector customers accounted for approximately 59%, 21% and 20% of our revenue, respectively. Our business relationships with our PSE and healthcare customers are usually formed by participating in public tenders. We possess unique in-depth knowledge of the complex Italian public tender requirements to which we dedicate a team of specialists across our Facility Management Segment and Laundering and Sterilization Segment and in the twelve months ended September 30, 2020 we bid on 215 PSEs and healthcare tenders, of which 11 refer to framework agreements and 204 refer to traditional tenders. In addition, our total win rate, was 20%, 23%, 16% and 21% for the year ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2020, respectively.

We believe our capacity to offer a wide range of integrated services represents a significant opportunity for our customers, who can rely on a single supplier that can efficiently satisfy many of their needs, without compromising the quality of the services rendered. We believe our proposals for integrated services tend to be more cost-efficient for our customers than using individual services provided by a range of suppliers. In addition, we believe our integrated services tend to produce increased customer loyalty, which provides us with an important competitive advantage.

The following sections briefly describe our customer base by category and the types of contracts we typically conclude with them.

PSEs and healthcare customers

We are an interdisciplinary service provider and partner to a variety of PSEs and healthcare customers. We offer streamlined and customized solutions enabling PSEs and healthcare customers to concentrate more resources and attention on their "core functions": citizen services, city administration, healthcare activities and furtherance of the general interest. We strive to fully interface with our PSE and healthcare customers' departments, employees and operations to provide essential services and serve as careful custodians of the citizens' assets entrusted to us. We provide a variety of services to PSEs and healthcare customers in Italy from technical services, cleaning of offices and public buildings and managing on-site sterilization facilities.

The table below sets forth certain examples of PSE and healthcare customers along with the type of service(s) provided.

Selected PSE and Healthcare Customers	Type of service(s) provided
Italy	
ER.GO (Regional Organization for the Right to Higher Education)	Technical services, Cleaning, Landscaping, Auxiliary services
Municipality of Bologna	Landscaping, Cleaning, Energy and HVAC management
Legnano Community Hospital	Cleaning and Technical services
Azienda Ospedaliera Senese	Laundering and sterilization of surgical instruments and preparation of surgical kits
APSS Trento (Province of Trento Community hospital)	Laundering, Cleaning
A.T.M. Milan Public Transportation	Cleaning, Technical services
University of Rome Tor Vergata	Technical services
University Hospital of Modena	Cleaning
International	
Janusza Korczaka Specialist Hospital (Poland)	Cleaning and Transport of patients
Société Nationale SNCF (France)	Cleaning

PSE and healthcare customer contracts

According to Italian law, supply, works and services contracts between PSEs and healthcare customers and contractors, suppliers, or service providers such as ourselves, are governed by, *inter alia*, the Italian Public Tender Laws, though PSEs and healthcare customers may, under certain conditions, derogate from certain provisions thereunder. Italian Public Tender Laws generally require that such contracts with PSEs and healthcare customers not be automatically renewable and must be put to public tender through a transparent bidding process. See "*—Regulation*."

In the twelve months ended September 30, 2020, based on our internal records, we participated in 215 public traditional tenders in Italy (new tenders and tendering processes initiated for contracts we already held) with an aggregate value of approximately €3.2 billion representing an increase of 6.7% over the value of tenders in which we participated in the twelve months ended September 30, 2019, when we participated in 300 tenders with an aggregate value of approximately €3.0 billion million (the amounts refer to the overall base auction price). The variation is largely explained by the number of tenders that PSEs and healthcare customers hold and market conditions thereof which may lead us to decline to participate in tenders that do not fit our return-on-investment or deployment of assets requirements.

In the context of public tenders, contracts are awarded on one of the following bases:

- quality and price; and
- lowest price.

Our contractual and fee arrangements with PSEs and healthcare customers vary according to the terms of the relevant public tender. The Group participates alone in such tenders or we bid in conjunction with partners (either private sector businesses or cooperatives) pursuant to TJAs. TJAs are governed by a framework agreement which regulates the delivery of services by and among the TJA participants. We render services within the context of a TJA on a non-exclusive basis; therefore, the partner organizations can also subcontract service to third parties. In our experience, TJAs allow us to invoice our PSE and/or healthcare customers directly for the services we perform.

In the past few years, the Italian market of tenders for facilities managements services has shifted from a fragmented approach, whereby local public administrations, municipalities and other local healthcare services providers launch local tenders to satisfy their individual facilities management requirements, to a more integrated approach, whereby centralized purchasing agencies, such as CONSIP, consolidate the purchasing function of the individual public administrations through the execution of framework agreements, thus resulting in fewer but much larger public tenders. Our strategy calls for increasing our involvement in such centralized public tenders, especially those that aggregate demand on a multiservice or larger geographic area basis as we benefit the most from them in that they enable us to fully leverage our competitive edge. In such context, the contractor, upon the awarding of the tender, enters into a framework agreement under which to provide the services at the agreed general terms and conditions and based on a set maximum amount (i.e. "plafond"). The contractor then enters into individual contracts with the relevant PSEs for the provision of the services according to the framework agreement. See "*—Regulation*" for more discussion. Pursuant to the spending review, healthcare customer contracts, in particular, may be subject to modification. If prices under current contracts for certain products and services are more expensive than reference prices (*prezzi di riferimento*) set by ANAC and utilized by CONSIP, healthcare customers can renegotiate or terminate the relevant contract with no liability for the contractor's damages. See "*Risk factors—Risks related to our business—Our business could be adversely affected by the central role of centralized purchasing agencies in public procurement with regards to setting economic terms for our services or by ongoing initiatives to reform decentralization in Italy*."

Our contracts with Italian PSEs had an average duration of 3.5 years, whereas for healthcare customers, the average duration was 4.8 years. The contracts' average duration term has been calculated on the weighted average formula (annual value) taking into consideration contracts

entered into in the years ended December 31, 2017, 2018, 2019 and the nine months ended September 30, 2020 (including both portfolio renewals and new business). See "*Management's discussion and analysis of financial condition and results of operations—Principal factors affecting our results of operations—Trade receivables*." The duration of our international contracts tends to vary according to the type of PSE and the prevailing market practice in the relevant country. For instance, in the Polish healthcare sector, contracts tend to have an average duration of 2 to 2.5 years.

Private sector customers

Our activities offer a range of services and solutions to private sector customers. We provide our services also in the recently joined "business to consumer" market, where we have developed software application for home delivery of cleaning, electricity, air conditioning systems, security systems and other services. However, we focus on competing for contracts with large multi-site private sector customers and strive to provide solutions by assuming responsibility of such customers' secondary operational processes. Our value proposition to our large private sector customers encompasses efficient, integrated facility management solutions that are responsive to our customer's needs and attuned with modern sensitivities related to sustainability and energy savings, thereby generating additional value for our customers. We strive to forge long-term relationships with our private sector customers.

In the last twelve months ended September 30, 2020 we recorded a decrease in the private sector component of our customer portfolio with 20.3% of our Group's total revenue deriving from private customers (€212.3 million) compared to 24.3% of our total revenue in the year ended December 31, 2019 (€244.8 million).

The table below sets forth certain examples of private sector customers along with the type of service(s) provided.

Selected private sector customers	Type of service(s) provided
Italy	
Telecom Italia S.p.A.	Integrated facility
Wind Telecomunicazioni S.p.A.	Integrated facility
Michelin	Cleaning
Nuovo Trasporto Viaggiatori S.p.A	Cleaning
Amazon Italia Logistica S.r.l.	Maintenance
International	
Engie France	Cleaning
GRTgaz	Cleaning

Private sector contracts

Our contracts with private sector customers are similar to our contracts with PSEs and healthcare customers, however, in general, the terms are more flexible and can be adapted to the specific private customer's needs. Our agreements are generally evidenced by multi-year written contracts to provide a schedule of services related to specified assets. Our private sector contracts had an average duration of 1.5 years, calculated on the weighted average formula (annual value) taking into consideration contracts entered into in the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2020 (including both portfolio renewals and new business). Many contracts with private sector customers are renewable, either automatically or upon consent of both parties. We are typically paid a flat annual fee that can be adjusted for extraordinary maintenance or special service intervention requests. In certain cases, we invoice monthly depending on the services we provide. Our contracts typically require us to provide regular written reports to our customers regarding the services and interventions we have delivered. With respect to disputes, our contractual arrangements generally include penalties if we fail to fulfill our obligations, and they require us to indemnify the customer for any damages

sustained. We typically post performance bonds or other security with large private sector customers because of the sensitivity of the assets we maintain and manage. Contracts with private sector customers can be terminated under certain circumstances, including at discretion of the customer or upon our default thereunder. In certain instances, we subcontract certain specialized services to third parties.

To foster customer satisfaction, we proactively work closely with customers and involve them in the management of any disputes. For example, the Issuer, which is responsible for the service delivery of our Telecom Italia S.p.A. account as a result of the transfer by H2H of the business unit related to the provision of facility management services to the Telecom Italia Group occurred in 2014, has established a special management committee formed by three members appointed by Telecom Italia S.p.A. and three members appointed by us that manages the execution and supervision of the contract and intervenes in cases of disagreement to foster customer satisfaction and resolution. In certain other contracts with large private sector customers, we have arbitration provisions to govern the settlement of disputes. See "*Risk factors—Risks related to our business—If major customers terminate their service contracts with us prior to the end of the relevant contractual term, including as a consequence of a change of control of the Group, or select another provider following expiration of such contracts or otherwise renew such contracts on less favorable terms, and/or if we are unable to establish new customer relationships, our business, financial condition and results of operations could be adversely affected*."

Backlog

As of September 30, 2020, our backlog totaled €2,821 million, which increased as compared to the value recorded as of September 30, 2019 (€2,550 million) primarily due to the subsequent consolidation of the Naprzód Group starting from November 1, 2019. Many of the service contracts we conclude with customers include service delivery and other interventions that span several financial years. We therefore use the measurement of backlog as a significant performance indicator for our business. Backlog serves to measure the total euro value of work to be performed on contracts awarded in progress and signing of new customers.

Our backlog consists principally of services and projects for which we have signed contracts and in respect of which we have received binding commitments from customers or other operations within our subsidiaries on a consolidated basis. Backlog projects are associated with service contracts in both our Facility Management Segment and Laundering and Sterilization Segment.

Consorzio Stabile CMF, Servizi Ospedalieri, the Issuer and the Naprzód Group hold the contracts comprising the majority of our backlog as of September 30, 2020.

We have adopted the following criteria for including contracts in our backlog:

- we include the present value on the reference date of the assumed revenue that is expected to be received during the life of the contract;
- in the case of TJA structures, we include the relative percentage of revenue attributable to the Group; and
- we include only revenue for services or projects that are required by the applicable contract (as a result, we do not consider revenue from services which are additional to those performed under the contract).

Backlog is not an audited measure. Our backlog fluctuates on a quarter-to-quarter basis due to the signing of new contracts, more of which have historically tended to be executed as the year progresses as customers make purchases under their capital budgets, as well as the pace of execution of existing contracts. As a result of the changes in our backlog, whether due to the signing of new contracts or commitments, the pace of execution of our contracts or otherwise, our results of operations for certain of the financial periods discussed in this Offering Memorandum may not be directly comparable with our results of operations for other financial

periods discussed herein or future financial periods. See "*Risk factors—Risks related to our business—Our backlog is subject to unexpected adjustments and service contract terminations and is, therefore, an uncertain indicator of future earnings*" and "*Management's discussion and analysis of financial condition and results of operations—Principal factors affecting our results of operations—Increased outsourcing of facility management and growing backlog.*"

Customer care

Coordination between our various departments depends on an information system that is a key strategic element of the Group's capabilities; the information system enables the different departments within our Group to offer customers integrated and seamless services. The following paragraphs briefly describe the key components of our information system.

Computerized registry

The Group carries out—where required for the type of service and for its delivery—an assessment of the location and condition of properties and facilities. For this reason, we have departments that specialize in detailed appraisal of the assets relating to the order both within the Sales & Marketing department and in the Planning & Continuous Improvement department. Depending on the phase of the value chain, the appraisal may form the basis of the preliminary evaluation conducted by the Sales & Marketing department or it may be conducted by the Planning & Continuous Improvement department when delivering the service. In both cases, the information gathered by one or by both departments will be entered into a computerized registry.

Planning

Once an entry in the registry has been created, we arrange the program of interventions and services which must be performed. Our Planning & Continuous Improvement department uses specific procedures which are updated periodically based on the results of our operational reports. We then program the scheduling of operations and activities.

The contact center

Our Facility Management Segment not only manages and guarantees scheduled services but also performs services "on demand" upon request of the relevant customer. The customer is given a dedicated toll-free number for each specific project and may send messages by telephone, internet, fax or e-mail. The contact center can also receive and manage messages automatically from systems located at facilities.

Purchasing and subcontracting

We purchase the following on behalf of our consumers:

- fuel (for Energy and HVAC management deliveries), with respect to which there are pass-through mechanisms in our contracts; by operation of law our PSE and healthcare customer contracts must include price adjustments to enable us to pass-through increased fuel costs to our customers, either at the end of each quarter or according to reference prices published by ANAC, whereas CONSIP contracts include price adjustments three times a year;
- materials and goods for cleaning services (such as hand soap we furnish to our customers as part of our Cleaning activities); and
- subcontract of third parties to provide certain services for our customers (for example pest control, catering, parking and security services).

See "*Management's discussion and analysis of financial condition and results of operations—Qualitative and quantitative disclosure of market risk—Commodity risk*," and "*Management's discussion and analysis of financial condition and results of operations—Principal factors affecting our results of operations—Costs structure*."

We typically manage procurement centrally using a supplier selection tool managed directly by the purchasing office. The need for suppliers with strong creditworthiness is balanced against the need for suppliers in proximity to the sites where we are required to deliver our services.

In the light of these requirements, we have implemented a system based on:

- each vendor filling out a card/questionnaire responding to an initial assessment (which takes into account both qualitative and quantitative parameters); and
- following the receipt of the goods/services we have purchased, we assess the supplier based on their performance and their responses to our original questionnaire's findings.

We seek to perform supplier selection consistently with the objectives set out by the Sales & Marketing department and can be carried out in a timely manner due to the information provided and the actual experience recorded by the Planning & Continuous Improvement department through periodic assessments.

We believe we have access to adequate sources of the suppliers necessary to fulfill the services contracts we have concluded with our customers. The success of our business is not dependent upon any one supplier and none of the suppliers individually is material to the ongoing business of the Group.

Real estate and equipment

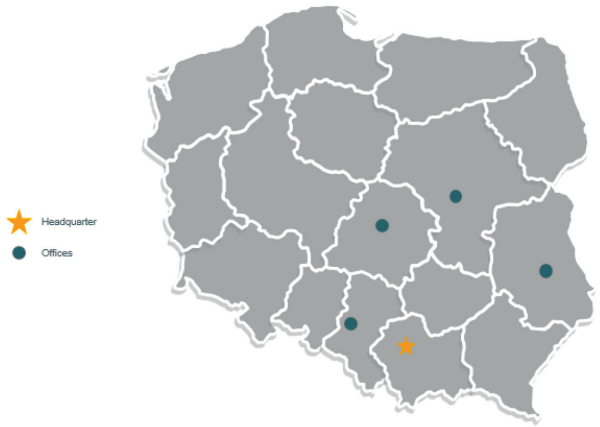
Real estate

With the exception of three facilities owned by Servizi Ospedalieri, we do not own any real estate. All our other facilities are leased pursuant to leases on customary, arm's length terms; in some cases we have entered into leases with MSC, our controlling shareholder (see "*Certain relationships and related party transactions*"). We believe that our facilities are in excellent condition and suitable for the purposes for which they are being used. We believe we have sufficient capacity to meet our obligations to our customers.

Facility Management Segment

Our Facility Management Segment presence in Italy is headquartered in Zola Predosa (Bologna) and maintains 51 offices and branches throughout Italy to be close to our healthcare, PSE and private sector customers.

Naprzód is headquartered in Kraków and maintains five offices and branches throughout Poland, including its headquarters, where it primarily provides services to healthcare customers. The map below illustrates our nationwide presence in Poland.



Laundering and Sterilization Segment

Our Laundering and Sterilization Segment presence in Italy is headquartered in Ferrara and maintains a network of 29 centers, among which we manage 26 laundering and/or sterilization centers on site, inside the confines of the premises of certain healthcare customers. Four of the

centers are standalone laundering plants (of which three also serve as sterilization centers for surgical fabrics). See "*Industry—The Italian facility management and laundering and sterilization segment—Overview of laundering and sterilization.*"

The table below shows the location of our four standalone laundry plants and the relevant activities carried out in each of them.

	Laundering	Sterilization of surgical fabrics	Sterilization of surgical instruments and surgical kits
Ferrara	✓	✓	
Lucca	✓	✓	✓
Teramo	✓	✓	✓
Marcellinara (CZ)	✓		

Our Laundering and Sterilization Segment presence in Turkey consists of one laundering and two sterilization centers on site, inside the confines of the premises of certain healthcare customers.

Equipment

Several of our service offerings require specialized equipment and spare parts. In addition, staying abreast of the next generation of technical equipment, for example in advanced microfibers and microchip tracing used for fabrics employed in medical settings, helps us provide value to our customers. For fixtures and equipment that we install or place on our customers' premises, for example traffic signaling devices and fire extinguishers, the customer purchases such equipment from us. In other cases, where we must utilize particular equipment in order to render our services, for example, in connection with HVAC management, we own or lease the relevant equipment. We believe our equipment stock is in excellent condition and suitable for the purposes for which such equipment is being used. In addition, we believe we have sufficient equipment capacity to meet our obligations to our customers.

Environment and sustainable development; Risk management

Overview

Our commitment to sustainability is underpinned by our corporate social responsibility, and is integrated into our business strategy, as we are committed to operating our business while respecting social considerations and the environment. When designing and organizing our internal processes and systems, we strive to take into account their impact on the following stakeholders: our shareholders, our workers and employees, the communities in which we operate and the environment.

As part of the Group's commitment to serving people, buildings and cities in a sustainable manner, we have identified the ways in which our actions, activities and operations can contribute to the achievement of the United Nation's Sustainable Development Goals ("**SDGs**"). We have decided to focus our efforts on four areas: financial stability and dedication, human centric development, integration and technology and energy and renewable resources.

The following briefly sets forth our actions in furtherance of the SDGs according to the focus areas identified by our management.

- *Financial stability and dedication*: We seek to position the Group with a solid financial position, with the capital structure to carrying out its business objectives. We also seek to facilitate good communication with employees and other stakeholders, and responsibly maintain market share in Italy and expand internationally while maintaining and reinforcing internal control and business ethics;
- *Human centric development*: We seek to provide significant training opportunities to our employees and other stakeholders, including second language study and technical training, offer internal career advancement and progression opportunities, scholarship

grants to the children of our employees and fund a range of summer camp activities for the children of our employees. We also provide a range of remote working options for our employees.

- *Integration and technology*: We seek to integrate technology and analytics into our tendering process and other operations in order to promote efficiency and cost-effectiveness of our work. We are also seeking to address new markets which are at the intersection of technology and the processes and places where we work, such as the healthcare supply chain management and integrated urban facility management.
- *Energy and renewable sources*: We seek to prioritize advising clients on less carbon intensive means of heating and cooling their buildings and integrating renewable energy sources or low-energy materials into their facilities. We are also focused on our own supply chain management and building mutually beneficial partnerships with local suppliers to reduce the carbon footprint of our activity.

Facility Management Segment

Our Facility Management Segment has adopted a risk assessment and monitoring organizational model suggested by LD 231 (as defined under "*—Regulation*") that includes detailed mapping of environmental impacts that such operations produce and we have appointed local area managers empowered to take actions to reduce our environmental impact and promote workplace safety. According to our management, the key environmental impact of our Facility Management Segment is energy consumption. We have taken the following steps to reduce energy consumption and promote energy efficiency (including making such recommendations to our customers for their facilities): installing low-energy lighting, adding more advanced installation and utilizing renewable energy sources. We regularly conduct training sessions for our staff in the areas of carbon and greenhouse gas emissions reduction and green procurement so that we can promote and foster a policy of sustainability.

Because of our yearly energy consumption in excess of certain thresholds set out by law, we must appoint an energy manager (the "**Energy Manager**") who sets defined strategic objectives in the field of energy efficiency and greenhouse gas reductions and monitors our progress, conducts environmental audits and holds our departments accountable for savings energy. Our Energy Manager also liaises with the Electric Gas and Water Authority (*Autorità per l'Energia Elettrica il Gas e il Sistema Idrico*) to demonstrate the results of our voluntary efforts to reduce energy consumption and obtain energy efficiency credits (*titoli di efficienza energetica*). Energy efficiency credits are so-called "white certificates" which we can then sell or trade within the Italian market set up for this purpose (*Gestore Mercati Energetici*).

Laundering and Sterilization

Our Laundering and Sterilization Segment has also adopted the risk assessment and monitoring organizational model suggested by LD 231 (as defined under "—Regulation."). According to our management, the key environmental impact of this segment is determined by water and energy consumption and the use of chemicals. As a result of the foregoing analysis, which is updated three times a year, we have taken steps to reduce our consumption of water and cleaning solutions through use of modern and efficient equipment. We also stock and propose to our customers cleaning products with the lowest environmental impact, for example carrying the "Ecolabel" certification.

Certifications

We have obtained and maintain a range of certifications because we value reducing our environmental impact and evidencing our environment, social and governance standards and internal controls.

The following presents a selection of our external certifications:

- the Issuer, H2H, Servizi Ospedalieri, Rekeep Digital and Telepost have obtained ISO 9001 certification for their quality management systems;

- the Issuer, Servizi Ospedalieri and Telepost have obtained ISO 14.001 for their environmental management and ISO 50001 certification for their energy management systems; and
- the Issuer and Servizi Ospedalieri have obtained ISO 18001 certification for their occupational health and safety management system.

Employees and labor arrangements

As of December 31, 2019 and September 30, 2020, we employed an average of 18,198 and 27,774 people, respectively. The following table shows a breakdown of our Group companies' employees by function as of the periods indicated:

	As of December 31,			As of September 30,
(average numbers of employees)	2017	2018	2019[1]	2020[1]
Managers	56	53	58	75
Office employees	1,232	1,203	1,319	1,715
Manual workers	14,947	15,197	16,821	25,985
Total	**16,235**	**16,452**	**18,198**	**27,774**

(1) The average number of employees for all periods in the table above includes the effects of the dispositions and acquisitions occurred in the relevant period. As of December 31, 2019 and September 30, 2020, such effects include the consolidation of the Naprzód Group. See "*Presentation of financial information—Changes in our scope of consolidation*."

As of December 31, 2019, we employed approximately 17,700 full-time equivalents in Italy, approximately 9,805 full-time equivalents in Poland via the Naprzód Group with the remainder in our other international markets, including Turkey and France.

As of September 30, 2020, 50.3% of the Issuer's employees were unionized. We have entered into a company-wide collective agreement with trade unions active in our company regulating annual performance bonuses and employee social security. We consider our relations with employees, trade unions, and work councils to be good and we have not experienced any significant labor issues in the past three years.

For a discussion of the impact of labor costs on our results of operations, see "*Management's discussion and analysis of financial condition and results of operations—Principal factors affecting our results of operations—Costs structure*."

Transfer of employees

Our relationship with the majority of our employees in Italy is subject to collective bargaining agreements. In general, the collective bargaining agreements include terms that regulate remuneration, minimum salary, salary complements, extra time, benefits, bonuses and partial disability. As of September 30, 2020, 13,764 employees (approximately 50% of our total employees) were employed pursuant to CCNL Multiservizi, the collective bargaining agreement applicable to cleaning and facility management. In cases where one outsourced provider of cleaning and facility management is replaced by another and the terms, type or level of service of a new contract remain constant or are more intensive than that contemplated by the expiring or terminated contract (the "**parity principle**"), of the CCNL Multiservizi obliges the transfer of employees from the outgoing to the incoming contractor upon such expiration or termination. The parity principle applies to PSE and healthcare customer as well as private sector customer contracts. In our experience, the majority of contracts that we have won or lost have included the transfer of employees under the parity principle and we estimate that in any given year approximately one thousand employees transfer in and out of our Group due to contracts gained and lost. In our experience, the application of the parity principle does allow us to make certain adjustments to the number of working hours per week for the relevant workforce.

In cases where the terms, type or level of service of a new contract are less intensive than that contemplated by the expiring or terminated contract (i.e. the parity principle does not apply), CCNL Multiservizi requires that the incoming provider engage in consultations with the relevant

labor unions with a view to establishing the level of human resources required to fulfill the new contract and maintain the jobs of the existing workforce, and where necessary, making use of redundancy procedures, reduced hours and other flexible arrangements and workplace mobility schemes. In our experience, in the few cases where we have lost an existing contract and the parity principle did not apply, we had attempted to use the affected employees on new contracts or for supplementary works on existing contracts for which we require additional resources, or alternatively, we commenced redundancy proceedings.

Employee leasing

Employee leasing (*somministrazione di lavoro*) refers to a method of contracting workers on a permanent or temporary basis in accordance with Italian Legislative Decree No. 276/2003. Our main use of employee leasing is related to employee leasing from our controlling shareholder MSC. The Italian Ministry of Labor granted a temporary authorization to MSC for its employee leasing and recruitment activities on December 22, 2004, followed by a permanent authorization on June 13, 2007.

Personnel "leased" by MSC to the Group perform various functions, from manual workers to senior managers. The average number of employees leased from MSC for the year ended December 31, 2019 was 387 (as compared to 418 for the year ended December 31, 2018). Employee leasing arrangements are regulated by a framework agreement between us and MSC dated July 6, 2007, which sets forth the terms and conditions of the leasing of the relevant employees (*soci lavoratori*) by MSC to the Group. The framework agreement has a five-year term and has been tacitly renewed to date. The framework agreement, besides providing for certain disclosure obligations, lays out the essential terms and conditions regarding the individual contracts, and establishes two fundamental principles:

- the market price principle: the costs borne by the Group for leasing MSC employees cannot be higher than the costs that it would incur in the employment market; and
- the preference principle: if MSC receives competing requests from other MSC group companies, the Group takes precedence over MSC's other subsidiaries.

The employees are bound by employment agreements with MSC, and no separate employment agreement is entered into between the leased employee and the Group. As a result, the employee's salary during its lease to the Group will be paid directly by its employer, MSC, in accordance with applicable Italian collective bargaining agreements. However, the Group is jointly liable with MSC in the event of a failure by MSC to pay such leased employee's salary, social security and insurance charges, but such payments can be recovered by the Group against MSC.

The employment relationship is structured as follows:

- the Group notifies MSC of the hours actually worked by the relevant employee, the days of annual holiday and other leave used by the employee, and other events such as illnesses and accidents;
- MSC processes and pays the salary of each such employee. It is also responsible for the payment of social contributions in respect of each employee to the Italian social security fund (INPS), premiums payable to the national insurance company for industrial accidents (INAIL), withholding taxes and any other contributions payable under Italian law; and
- MSC issues an invoice to the Group for the costs incurred for each employee that it leases to the Group.

Leasing an employee from MSC is approximately 4% more costly than the costs of a direct employee of equivalent rank due to services fees and payments into a mandatory fund for training of leased employees.

Intellectual property

We rely on a combination of trademarks, licenses agreements, non-disclosure agreements and proprietary know-how to protect our proprietary rights. We do not believe that any individual item of our intellectual property portfolio is material to our business. We employ various methods, including confidentiality and non-disclosure agreements with third parties, employees and consultants to protect our trade secrets and know-how. As of the date of this Offering Memorandum, we are the holder of certain patents and various national and European Community trademarks for our various brand names in the markets in which we operate. To date, no third party has brought legal or administrative proceedings challenging the validity of our trademarks.

Among others, we own the following trademarks: "Rekeep" which has been protected by an EU trademark registered on July 13, 2018, "Servizi Ospedalieri" which has been protected by an Italian trademark registered on March 28, 2017, "Naprzód" which has been protected by an EU trademark registered on November 19, 2015, "Triomed" which has been protected by a Polish national trademark since July 11, 2007, "EOS" which has been protected by a Turkish national trademark granted on May 17, 2017 and "Rekeep United" which has been protected by a Turkish national trademark granted on December 13, 2019.

Information technology

We have invested in information technology ("**IT**") systems pursuant to licenses from third parties. We believe our IT systems maintain and enhance the quality of services we can provide to our customers in that it allows us to (i) develop projects and proposals with an innovative approach, (ii) develop and implement customized solutions and support systems based on clients' needs and requests (including integration with existing systems), and (iii) design systems and solutions with an end-to-end approach from the study to the delivery phase. We use IT to monitor, manage and prepare responses to private sector and public sector tenders and comply with the numerous regional, municipal and national-level regulations that such tenders entail. Our IT systems also allow us to track logistics and our transactions with customers, suppliers, subcontractors, TJA partners and employees. We have also deployed programs to assist us in tracking and collecting on our trade receivables and historically to assist our treasury department in determining which trade receivables to sell via factoring facilities. Our subsidiary H2H has IT systems that allow customers to monitor the status of their buildings, the status of reported maintenance outage incidence and the timeliness of our responses. We believe such transparency leads to greater operational efficiency and fosters strong customer relationships. As of the date of this Offering Memorandum, we believe that our IT system is robust, adequate to support our activities and insured to standards that are comparable to other operators in our industry.

Research and development

We carry out various research and development activities, with the objective of proactively and continuously improving the quality of the services we offer. In certain instances, we pursue research and development in conjunction with third parties involving industry-standard non-disclosure agreements. Specific research and development activities have included the following: (i) research regarding technical studies related to preparing our bids in response to public tenders and (ii) research regarding advanced new materials and methods in our Laundering and Sterilization Segment.

Project financing

We make investments with various partners to build and operate or otherwise provide integrated services to new facilities for PSEs and healthcare customers pursuant to concessions, such as hospitals pursuant to long-term agreements structured as BOT arrangements. Our non-controlling investments in special purpose vehicles constituted through equity financing from the Group and the other sponsors in turn make use of project financing loans or project bonds on a non-recourse basis to fund the relevant building construction. From time to time we

also grant off-balance sheet guarantees of the obligations of such project companies. Our investments partners are typically construction or engineering firms. We manage our investments conservatively and invest only where we identify projects with favorable characteristics such as future service contracts to manage the non-core services of a hospital. Facility management contracts that have been signed between the project companies or the concession-awarding PSE or healthcare customer with Group companies form a key portion of our backlog.

Insurance

We maintain insurance coverage under various liability and property insurance policies for, among other things, damages in the areas of operations, environmental liabilities and business interruption. We also maintain insurance regarding third-party claims that may arise out of certain services we provide, third-party claims related to damage caused to the properties we manage, civil directors' and officers' liability and information technology system failure. We believe that the level of insurance which we maintain is appropriate for the risks of our business and is comparable, in each case, to that maintained by other companies in our markets operating in the same activities.

We do not have insurance coverage for all interruptions as a result of operational risks because in our view, these risks cannot be insured or can only be insured on unreasonable terms. See "*Risk factors—Risks related to our business—Our insurance is limited and subject to exclusions, and depends on the ongoing viability of our insurers; we may also incur liabilities or losses that are not covered by insurance*" and "*Risk factors—Risks related to our business—The sterilization of laundry and surgical instruments and certain other services we provide carry liability risks.*"

Regulation

The following paragraphs provide a brief description of the main Italian regulations that govern the activities carried out by the Group. References and discussions to laws, regulations and treaties, other administrative and regulatory acts are entirely qualified by the full text of laws, regulations and treaties, other administrative and regulatory acts themselves.

General overview

The areas in which we operate are not generally subject to a specific regulatory regime, however, national and/or local laws and regulations do cover many services we provide. For certain of our activities, we must obtain licenses or permits, make filings of certain notifications/ communications with the relevant authorities or refrain from employing unlicensed professionals. In addition, our landscaping activities require compliance with local permits that regulate, among other things, the use and operation of heavy machinery and equipment, noise pollution, waste management, conventional and renewable energy installation, erosion and water runoff. To the extent we employ chemicals and other substances in connection with our services (*e.g.*, cleaning solutions), we must handle and dispose of such substances with due care and in compliance with applicable laws and regulations concerning the safeguard of the health of our employees, customers and the general public. Some of the services we provide are subject to Law 10/91 and implementing legislation which prescribe certain energy performances in buildings and/or plants. For a brief description of Law 10/91 and the related energy audit requirements, see "*—Environment and sustainable development; Risk management.*"

The method by which we bid for new business with PSEs and healthcare customers and manage customers relationships requires compliance with Italian Public Tender Laws, discussed below under "*—Public Tenders.*"

To foster best practices, we have implemented compliance models in our Facility Management Segment and Laundering and Sterilization Segment based on models prescribed under Legislative Decree No. 231 of June 8, 2001, as amended ("**LD 231"**). LD 231 provides for the administrative liability of a corporate entity for crimes committed in its interest or to its advantage by certain individuals such as its employees, directors and representatives. LD 231 crimes include, among

others, crimes committed in the context of dealings with the public administration (including bribery, misappropriation of public contributions, and fraud to the detriment of the state), corporate crimes, environmental crimes and crimes of manslaughter or serious injury, in violation of provisions on health and safety at the workplace. LD 231 compliance programs provide a voluntary safe harbor to companies that have implemented such programs, insofar as the individual or agent who committed the offense under LD 231 acted in furtherance of their own interest or in the interest of third parties not related to the company or the relevant company had effectively implemented a LD 231 compliance program and had appointed an independent body or officer to supervise the compliance program. As of the date of this Offering Memorandum, the Issuer, Servizi Ospedalieri and H2H have implemented LD 231 compliance programs. However, certain other companies of the Group have not yet implemented an internal control system pursuant to LD 231.

Our LD 231 compliance programs includes risk identification exercises related to LD 231 crimes, establishing procedures to prevent such acts, creating information reporting channels to the compliance body or officer and establishing a system of disciplinary sanctions for employees or agents found to have violated LD 231. See "*Risk factors—Risks related to our business—We may incur liabilities or be excluded from contracting with public authorities for the actions of our employees, managers or agents*."

Public tenders

General overview

Our public contracts are subject to regulation by applicable Italian law. We are also subject to work safety requirements and labor laws, including specific laws that govern labor relations. See "*—Employees and labor arrangements.*"

We generally receive contracts with PSEs and healthcare customers pursuant to public tenders which are regulated by both the current code on public procurement (Legislative Decree No. 50 of April 18, 2016 as subsequently amended by Legislative Decree No. 56 of April 19, 2017, and by Law No. 160 of December 27, 2019, the "**Current Code on Public Procurement**") and the Former Code on Public Procurement (Legislative Decree No. 163 of April 12, 2006, the "**Former Code on Public Procurement**") (i.e. the Italian Public Tender Laws).

The Current Code on Public Procurement applies to public tender procedures and contracts whose call for tender was published after April 19, 2016 (date of its entry into force). For call for tenders published before April 19, 2016, the Former Code on Public Procurement was the applicable legislation regulating public tender procedures and contracts.

The Italian Public Tender Laws include the provisions applying to all public works, services and supply contracts, both above and below the following EC thresholds.

	Former Code on Public Procurement	Current Code on Public Procurement(*)
Public work contracts and concessions	€5,225,000	€5,350,000
Public supply and service contract for central governmental authorities	€ 135,000	€ 139,000
Public supply and service contract for sub-central entities	€ 209,000	€ 214,000
Public supply and service contracts in special sector (*e.g.*, water, energy, transport and postal services industries)	€ 418,000	€ 750,000

(*) Article 35 of the Current Code on Public Procurement.

The Italian Public Tender Laws provide for five main types of contract award procedures:

(i) the open procedure (any party may submit a tender bid as long as the criteria in the tender procedures are met);

(ii) the restricted procedure (only parties invited by the relevant PSE and healthcare customer may take part in the tendering procedure). Pursuant to the Current Code on Public Procurement, the parties selected by the relevant PSE and healthcare costumer must include at least 5 undertakings;

(iii) the negotiated procedure for contracts with total value of less than €1,000,000, with the exception of urgent works where such limit may be exceeded. Pursuant to the Former Code on Public Procurement the parties selected by the relevant PSE and healthcare customer and invited to submit a tender must include at least 5 bidding parties for contracts with values not exceeding €500,000, and at least 10 undertakings for contracts between €500,000 and €1,000,000. Pursuant to the Current Code on Public Procurement, the parties selected by the relevant PSE must include at least 5 bidding parties for public work contracts with a value over €40,000 and not exceeding €150,000 and for public supply and service contracts with a value corresponding to the European threshold set forth by Article 35 of the Current Code on Public Procurement (i.e. €5.3 million). The parties selected by the relevant PSE must include at least 10 bidding parties for public work contracts with a value over €150,000 and not exceeding €350,000, and at least 15 bidding parties for public work contracts with a value over €350,000 and not exceeding €1,000,000;

(iv) the competitive dialogue (applicable for operations with a significant architectural element). In this procedure, a candidate draws up a project related to the services requested, based on the requirements of the PSE, proposing the conditions and prices he offers. Pursuant to the Current Code on Public Procurement, the competitive dialogue applies also in case of operations without a significant architectural element; and

(v) the project finance.

Under the Current Code on Public Procurement, a specific regulatory framework is dedicated to awarding concessions. For example, in the event that an economic operator has been awarded with a concession contract: (i) with a value exceeding €150,000, (ii) without having participated in public procurement procedures and (iii) still valid at the date of the entry into force of the Current Code on Public Procurement, such economic operator must allow third parties to conduct works, services and supplies under the contract—equaling 80% of the contractual value—by participating in a public tender.

In response to the COVID-19 pandemic, the Italian Government enacted the Law Decree No. 76 of July 16, 2020 which was subsequently converted into Law of September 11, 2020 No. 120 (*Decreto Semplificazioni*, the "**Semplificazioni Decree**"). The Semplificazioni Decree introduced a number of measures dealing with the COVID-19 health emergency and the consequent lockdown, and, among others, introduced dedicated measures regarding public tenders.

The Semplificazioni Decree provided that, starting from July 2020 through December 2021, the public authorities may enter into public contracts below the EC thresholds (as reported in the chart above) both (i) directly awarding contracts not exceeding €150,000; and (ii) awarding contracts with a value over €150,000 and not exceeding €350,000 through the negotiated procedures without having to publish a tender notice (depending on the contract's value, a set number of operators must be consulted before the awarding). In addition, the Semplificazioni Decree provided that procedural deadlines are reduced: contracts below the EC threshold shall be awarded within two months from the beginning of the tender; contracts above the EC threshold shall be awarded within six months from the beginning of the tender and time limit for the submission of bids can be reduced due to emergency reasons. Furthermore, additional exceptions and dedicated measures have been implemented in relation to specific industries including the healthcare sector which may result in certain provisions of the Current Code on Public Procurement being derogated.

ANAC empowered role

Under the Current Code on Public Procurement, ANAC (*Autorità Nazionale Anticorruzione*) is the Italian Authority with powers to, *inter alia,* oversee public tender procedures. Law of August 11, 2014, No. 114 introduced new and impacting measures in the anticorruption system and settled the suppression of the formerly empowered AVCP (*Autorità per la vigilanza sui lavori pubblici* – i.e. the Authority for the Supervision of Public Contracts), and provided for AVCP's transfer of functions and resources to the ANAC.

The integration of the functions of the two aforementioned authorities and the consequent extension of the powers granted to ANAC are aimed at setting the conditions to oversee more effectively the scope of corruption prevention in the field of contracts and public procurement.

ANAC operates, essentially, at three different levels: a) constant supervising and prompt reporting to the competent authorities of irregularities or illegal situations, through the inspection function, also eventually sanctioning certain behaviors; b) interpretation of the law, through binding and non-binding guidelines; c) information gathering and continuous monitoring of the awarding and execution of public contracts. The monitoring of public contracts is, *inter alia,* performed by managing all the public procurement databases to support the sharing process among contracting authorities. For example, ANAC maintains a register of qualified contracting authorities, which includes the central contracting authorities (*Centrali di committenza*). The qualification system for determining qualified contracting authorities relates to authorities entering into a specific kind of contract, and depends on the complexity of the contract and the value of the underlying contract (value ranges are set forth in the Current Code on Public Procurement). Authorities constituting qualified contracting authorities are selected based on certain criteria regarding technical and organizational abilities. In addition to this, ANAC manages the national centralized database (*Casellario Informatico*) which contains the information on the economic operators.

As a result of the COVID-19 pandemic, the Italian Government enacted the Law Decree No. 34 of May 19, 2020 (*Decreto Rilancio*, the "**Rilancio Decree**"), providing for an exemption from the duty to pay the ANAC's fee for companies taking part in public tenders launched between May 19, 2020 and December 31, 2020.

Centralized Purchasing Agencies (including CONSIP)—Spending Review and Public Procurement Policies

A centralized purchasing agency (*Centrale di Committenza*) is a public contracting authority (*Stazione Appaltante*) with the following functions:

(i) buying supplies, services and works;

(ii) awarding of public contracts and concessions; and

(iii) managing and concluding framework contracts (*Convenzioni Quadro*) for supplies, services and works on behalf of many PSEs/ healthcare customers.

CONSIP, a joint stock company fully owned by Italy's Ministry of the Economy and Finance, provides functions as the main Italian centralized purchasing agency.

Pursuant to the Italian Public Tender Laws, PSE and healthcare customer contracts are awarded through public procurement processes. In order to rationalize the purchasing activity of the Public Administration and provide the functions listed above, the centralized purchasing agencies operate, *inter alia*, through the following main instruments:

(i) *Framework Contracts*: economic operators that were awarded with framework contracts through public tenders called centralized purchasing agencies, including CONSIP, for several product categories, undertake to accept (with the conditions and prices established in the call for tenders, and based on the quality standards provided for in the terms of contract) supply orders from healthcare customers and PSEs, up to the maximum limit established, over a period that cannot exceed four years. Centralized purchasing agencies utilize reference prices established by the ANAC to set the criteria

for pricing public tenders for certain goods and services between healthcare customers and PSEs and service providers such as our Group, which most of such customers are required to follow;

(ii) Healthcare customers also utilize similar framework contracts with respect to healthcare service contracts entered into by regional procurement committees (*Centrali di Committenza Regionali*) (*e.g.*, Intercenter) or by CONSIP if the regional procurement committees do not enter in any similar contracts;

(iii) *The Public Administration Electronic Market* (the "**MePA**"—*Mercato Elettronico*): MePA is a digital marketplace in which registered authorities can make purchases for values below the European threshold of the goods and services offered by suppliers that have been authorized to post their catalogues on the system;

(iv) starting from 2012, due to budgetary constraints, the Italian Legislator enacted several and fragmented spending review measures aimed at cutting the public spending. These measures had a remarkable impact on the contracting authorities' organization and public procurement policies.

In the first place, it was established that CONSIP's prices for particular service offerings (i.e. *inter alia*, frequency of maintenance or intervention) serve as benchmarks which allow PSEs/healthcare customers to terminate such non-CONSIP contracts that may be more expensive. However, in such cases, applicable laws grant the contractor a right to recover 10% of the revenue that would otherwise have been generated by the performance of the remainder of the contract.

In connection with the spending review measures, with respect to the purchases of goods, services and supplies made by the PSEs, any public contract entered into by a PSEs failing to comply with spending review's obligations—i.e. to revert to CONSIP or other centralized purchasing agencies for the purchase of good and services exceeding the EU threshold—is deemed null and void, it involves a disciplinary offence and implies administrative liability.

Furthermore, under the spending review legal framework, any PSE or healthcare customer has now the right to withdraw, any time, from the ongoing public contract under the following two conditions: (i) in case the terms and the reference prices (*prezzi di riferimento*) set by CONSIP provide better conditions in comparison to the ones stated in the mentioned ongoing public contract; (ii) if the contractor does not agree to adjust the terms and prices to the ones set by CONSIP. In case the PSE or healthcare customer does not withdraw from the contract under the above conditions, the PSE or healthcare customer itself must communicate its decision to the central accounting state court (i.e. "*Corte dei Conti*").

In connection with the spending review effort, the Italian Legislator enacted Law Decree No. 66 of April 24, 2014 ("**Decree No. 66**") (converted into Law No. 89 of June 23, 2014) which, *inter alia*, created a new category of centralized purchasing agencies called "Aggregator Bodies" (*Soggetti Aggregatori*), which can be considered as qualified centralized purchasing agencies. In particular, Aggregator Bodies are the only competent entities that can manage tender procurement procedures related to certain categories of supplies and services above specific threshold.

In connection with the spending review measures, Law Decree No. 208 of December 28, 2015 ("**Decree No. 208**") further reinforced the centralization of the public administration purchasing activity. In order to rationalize and cut the public spending, Decree No. 208 extended the number of Public Administrations obliged to exclusively resort to the framework contracts issued by CONSIP or by other centralized purchasing agencies. In particular, central and local administrations and any educational establishment shall exclusively resort to CONSIP's framework contracts. Conversely, PSEs based in the Italian Regions and Healthcare costumers are obliged to resort to the framework contracts issued by the regional procurement committees. Contracting Authorities' autonomous purchasing are only possible if PSE can prove that the supplies and services granted through framework contracts do not satisfy their specified needs.

Finally, the Current Code on Public Procurement introduced new rules aimed to rationalize the contracting authorities' organization by reducing their number. In particular, Article 38 of the

Current Code on Public Procurement established a register (kept by ANAC) of qualified contracting authorities. According to Article 37 of the Current Code on Public Procurement, contracting authorities that are not qualified shall resort to a qualified contracting authority to purchase supplies and services above €40,000 and works above €150,000. Non-qualified contracting authorities can autonomously purchase supplies, services and contracts below the abovementioned thresholds. According to Article 38 of the Current Code on Public Procurement, the following entities shall be automatically registered in the list: (i) the Italian Ministry of Infrastructure and Transport, (ii) the inter-regional education agencies for public works (*Provveditorati Interregionali delle opere pubbliche*); (iii) CONSIP; (iv) Invitalia spa (i.e. the Government agency for inward investment); (v) Aggregator Bodies as defined by Article 9 of Decree No. 66.

As of the date of this Offering Memorandum, the qualifying criteria have not been published. New guidelines issued by ANAC on this topic should be issued in the following months. See "*—Risk factors—Risks related to our business—PSE and healthcare customers may curtail their reliance on our services due to political and administrative decisions or budgetary constraints, or they may otherwise revise their outsourcing and/or procurement policy in a manner adverse to our interests.*"

Awarding criteria

According to Italian Public Tender Laws, the winning bid is awarded either to the bid with the lowest price or the economically most advantageous bid in terms of value for money, provided that the criteria are specifically listed in the call for tenders.

The Current Code on Public Procurement provides that the "most economically advantageous bid" criteria (*Criterio dell'offerta economica più vantaggiosa*) shall always apply for social services, hospital, scholastic and welfare catering service, labor-intensive services, engineering and architecture services bid processes with a value over €40,000 and also for services contracts and supplies with a value over €40,000 having a considerable technological or innovative nature. In addition, the abovementioned criteria shall also consider whether a bidder is incorporated as a benefit corporation (*società benefit*).

Conversely, the lowest price criterion can be used for services and supplies with standard characteristics or conditions which are defined by the market, except for labor-intensive services subject to the "most economically advantageous bid" criteria.

In addition to this, the Contracting Authorities can select the award criteria to be used in the evaluation of tenders, in the call for tender and in the invitations to bidders. The above mentioned criteria must include the "legality and business" rating (*rating di legalità e di impresa*) of the bidder (expressing its inclination to law-abiding behaviors), the assessment of the generated impact, the low environmental impact of works, supplies or services, and low impact on the employees' health and safety.

See "*Risk factors—Risks related to our business—PSE and healthcare customers may curtail their reliance on our services due to political and administrative decisions or budgetary constraints, or they may otherwise revise their outsourcing and/or procurement policy in a manner adverse to our interests*."

New regulation on subcontracting

Under the Current Code on Public Procurement, private contractors can enter into subcontractor agreements with third parties for services, supplies or works included in their contracts, provided that: (i) the relevant subcontracted quota does not exceed 40% of the contractual value (according to the Semplificazioni Decree, until December 31, 2020 the relevant subcontracted quota does not have to exceed 40% of the contractual value; however, this percentage must be disregarded in light of the decision of the European Court of Justice of 26 September, 2019 No. C-63/18 in which it has been established that this limitation does not comply with the Directive 2014/24/EU on public procurement), (ii) the private contractor received prior authorization from

the contracting authority. According to these new rules, any bidder shall explicitly indicate in its offer any share of the contract it intends to subcontract to third parties. If the value of the contract is above the European threshold set forth by Article 35 of Current Code on Public Procurement (i.e. €5.3 million) or the object of the contract falls within one of the activity more exposed to Mafia infiltration pursuant to Law No. 190 of November 6, 2012, the offer shall indicate, the name of three proposed subcontractors and prove that there are no grounds to exclude such subcontractors. However, in response to the need of relaunching the public contracts sector, the Law Decree No. 32 of April 18, 2019 (*Decreto Sblocca Cantieri*, the "**Sblocca Cantieri Decree**"), converted into Law No. 55 of June 14, 2019, suspended a number of measures of the Current Code on Public Procurement, including the application of this last provision until December 31, 2020.

Cost overruns and adjustments

Pursuant to the Former Code on Public Procurement, contracts to supply PSEs and healthcare customers with services and goods must provide for a periodical price adjustment. The contracting authorities are required to review the prices of the products and materials according to the review issued every year by public authorities, including ministerial authorities.

Pursuant to the Current Code on Public Procurement contracts to supply PSEs and healthcare customers can provide for a periodical price adjustment. In order to be valid, the price adjustment must be clearly and unambiguously contained in the relevant public tender documentation.

During the execution of contracts, PSEs and healthcare customers are entitled to request limited variations to the contract in accordance with various provisions of the Former Code on Public Procurement that prescribe adjustments for services, supply contracts, adjustments requested by the PSE and healthcare customer, adjustments requested by the contractor and adjustments connected to the compensation of employees. In particular:

(i) In the case of adjustments (an increase or decrease of the total price provided in the contract in relation to the performances which the executor must carry out of the agreement) of less than 20%, the PSE or healthcare customer is entitled in certain circumstances set out below to require the contractor to accept such changes at the same conditions set forth in the contract without additional compensation or indemnity other than the consideration originally provided for in the contract. Pursuant to the Current Code on Public Procurement, the PSE or healthcare customer is always entitled to require adjustments of less than 20%;

(ii) In case of adjustments (an increase or decrease of the total price provided under the contract) in excess of 20%, the contractor may either accept the PSE's/healthcare customer's request for adjustment or alternatively terminate the agreement;

(iii) The contractor may request variations of less than 5% of the original total amount of the agreement.

Pursuant to the Former Code on Public Procurement, adjustments to the works in progress may only be made in the following cases:

(i) Requirements provided by new legislative and/or regulatory rules;

(ii) Unforeseen events/circumstances as set forth in Italian Public Tender Laws, or due to new materials, products, technologies becoming available which were not available at the time of the signing of the contract, and which can result in an improvement of the quality of the performances without any increase in costs;

(iii) Events related to the kind of goods or locations which constitute the object of the contract;

(iv) Geological events;

(v) Mistakes and/or omissions related to the executive projects which have damaging effects on the entire project; and

(vi) Restoration activities to be possibly implemented on contaminated sites.

Pursuant to the Current Code on Public Procurement, adjustments to the works in progress are possible if: (a) the adjustments are deemed necessary by unforeseen events/circumstances (i.e. requirements provided by new legislative and/or regulatory rules); (b) the adjustments do not alter the overall nature of the contract; and (c) the adjustments do not exceed the 50% of the original total amount of the agreement.

In addition to this, adjustments to the works in progress are possible, without the need of a new public tender procedure if the adjustment is below the following values: (a) thresholds set forth by Article 35 of the Current Code on Public Procurement; (b) 10% of the original total amount of the agreement for services and supplies contracts and 15% for work contracts. However, the adjustment cannot alter the overall nature of the contract. All the adjustments shall be authorized by the RUP (*Responsible Unico del Procedimento*—i.e. the person responsible for public procurement procedures) of the contracting authority.

Pursuant to the Former Code on Public Procurement, in case of public tenders where the preparation of the executive project and the execution of works are awarded separately (by means of two different tenders), in the case of omissions or mistakes of the contractors responsible for the executive project which may result in adverse changes to the works of at least 20% of the total original value of the contract, the PSEs/ healthcare customers are required to terminate the contract for the execution of the works and initiate a new public tender to which the contractor who was awarded the execution of work in the original tender process must be invited. In these cases, the PSE/healthcare customer is required to pay to such original contractor:

(i) amounts equivalent to the works executed and services provided up to such termination; and

(ii) 10% of the non-performed works of up to 80% of the amount of the contract.

In case of public tenders where the preparation of the executive project and the execution of works are awarded to the same contractor by means of the same public tender, such contractor is deemed liable for the delays and burdens caused by the need to make adjustments to the works in progress due to mistakes and/or defaults in the executive project. In this case the contractor must compensate the PSE/healthcare customer for the damages caused.

The Current Code on Public Procurement contains a general prohibition of awarding with a single tender both the preparation of the executive project and the execution of works to the same contractor. Exceptions are allowed in case of general contractor agreements, project financing, concessions, public-private partnership and availability contract. However, the *Semplificazioni* Decree has suspended such prohibition until December 31, 2021 thereby allowing the use of a single tender also for projects where the technological or innovative element is not prevailing over the contractual value.

According to Italian Public Tender Laws, in addition to public works contracts, the set of rules discussed above also apply to public supply and service contracts.

Termination of public tenders

Pursuant to the Former Code on Public Procurement, the PSE/healthcare customer can terminate a contract should the relevant contractor: (a) fail to perform (or delay to perform) the contract; (b) fail to maintain the specifications required by the PSE/healthcare customer; and/or (c) receive a sentence for certain serious crimes.

According to the Current Code on Public Procurement a PSE/healthcare customer must terminate an ongoing contract should the relevant contractor: (a) produce false documentations and/or false declarations that cause the revocation of the qualification certificates (*SOA*); (b) receive a

final and binding sentences related to an anti-mafia offense or receive a binding and final judgment for the crimes mentioned in article 80 of the Current Code on Public Procurement.

The PSE/healthcare customer can always rescind a contract, paying: (i) the works or the services supplied and the raw materials in the construction site; and (ii) 10% of the non-performed works.

The administrative act awarding a tender, as well as any assignment and design contests regarding works, services and supplies, can be challenged by filing a complaint at competent Administrative Regional Court (*Tribunale Amministrativo Regionale,* "**TAR"**) with possible appeal to the *Consiglio di Stato* (High Court for Administrative Matters). Both the TARs and the *Consiglio di Stato* have the power to annul an award of a public tender.

Under the Current Code on Public Procurement, in order to streamline trials relating to public tenders, certain alternative methods of settling disputes are provided. Moreover, Articles 119 and 120 of Legislative Decree 104/2010 provide for a specific accelerated procedure, according to which the challenge of the award of a public tender shall be filed with the TAR, within 30 days from receipt of the notification of the award resolution.

The spending review has also granted healthcare customers the ability to terminate contracts if the prices therein are higher than the ANAC reference prices as discussed under "*Risk factors—Risks related to our business—PSE and healthcare customers may curtail their reliance on our services due to political and administrative decisions or budgetary constraints, or they may otherwise revise their outsourcing and/or procurement policy in a manner adverse to our interests.*"

Financial guarantees system

The Current Code on Public Procurement introduces a new financial guarantees system. With reference to works of a specific value, the "global financial guarantee" provided under the Former Code on Public Procurement has been repealed and substituted by two different guarantees required under the Current Code on Public Procurement: the "fair fulfilment guarantee" (*Garanzia di buon adempimento*), which exists until the work is completed without any possibility of release and the "termination guarantee" (*Garanzia per la risoluzione*) to cover costs (corresponding to the value of the damages suffered) incurred due to need to conduct another public procurement procedure in order to re-enter into the relevant contract with a third-party, in case the relationship with the original contractor cannot continue, and to cover costs for the new contractor.

Renewals of public tenders

A contract cannot be automatically renewed at its expiration; however the former contractor may participate in new tenders relating to the same service, except when a "rotation" mechanism applies pursuant to the applicable rules (including Art. 36 of the Current Code on Public Procurement).

Anti-Mafia Code

We are subject to the anti-mafia provisions established by Italian Legislative Decree No. 159 of September 6, 2011, as subsequently amended (the "**Anti-Mafia Code**"). Under the Anti-Mafia Code, we are required, among other things, to provide the relevant public body with information regarding the Group and its related parties, such as shareholders, directors, general managers as well as any other natural person who may cohabit with such related parties (if applicable). This information must be transmitted prior to the execution of agreements or concessions with any public authority. The purpose of this regulation is to verify whether there might be any link between us and any mafia organization which could influence our business.

Legal proceedings

We are party to various legal proceedings (including labor disputes) involving claims that are incidental to our business, including challenges to our admission to, or award of, public tender

procedures, concessions, approvals and agreements with public contracting entities, which could result in the denial, termination or revocation of such admissions, awards, concessions, approvals or agreements, thereby adversely affecting our business, results of operations and financial condition. We are also party and may in the future become party to tax audits. We record a provision in accordance with applicable accounting principles when losses from pending or potential disputes are probable and reasonably quantifiable. As of September 30, 2020, the provisions for litigation risks (including tax litigation) amounted to €105.9 million.

Estimates of a litigation potential unfavorable outcome are based on our expectations, opinions and assumptions about future developments which are inherently uncertain. See "*Risk factors—Risks related to our business—We are subject to risks related to legal and arbitration proceedings in the* normal *course of our business and otherwise as well as risks related to public contracts litigation*." Statements herein regarding future events are subject to the disclaimer and qualifications under "*Forward-looking statements*."

Set forth below is a summary of the most significant of these proceedings.

False Statement Registration litigation between the Issuer and ANAC following a proceeding started by ANAC upon notice by the Santobono-Pausilipon Public Health Agency of Napoli

A False Statement Registration Proceeding against the Issuer was initiated by ANAC in 2014 following a notice filed by the Santobono-Pausilipon Public Health Agency of Napoli to ANAC (the "**Santobono-Pausilipon False Statement Registration Proceeding**"). The false statement was committed by the Issuer while submitting the administrative documentation required in the context of a public tender process launched in 2013 by the Santobono-Pausilipon Public Health Agency of Napoli (the "**Santobono-Pausilipon Tender**"). In particular, in the submitted statement relating to the Santobono-Pausilipon Tender, the Issuer omitted an *affidavit* regarding whether an attorney (*procuratore*) for the Issuer had a criminal record. The Issuer has always vigorously defended its position in connection with this proceeding, stating, *inter alia*, that the Issuer never provided any false information and it had no interest in providing any false declaration in relation to such attorney (*procuratore*) since the latter never had any relevant criminal record.

On November 10, 2017, ANAC concluded the Santobono-Pausilipon False Statement Registration Proceeding by issuing a decision imposing a €10,000 fine against the Issuer and excluding the Issuer from participating in public tender procedures and from subcontracting in relation to public contracts for a period of six months (the "**ANAC Santobono-Pausilipon Decision**"). However, following a timely appeal brought by the Issuer before the TAR Lazio, the ANAC Santobono-Pausilipon Decision was overturned and annulled by the TAR Lazio in December 2017 (the "**ANAC Santobono-Pausilipon TAR Lazio Decision**").

ANAC brought an appeal before the Council of State (*Consiglio di Stato*) against the ANAC Santobono-Pausilipon TAR Lazio Decision. With its decision published on December 2018, the Council of State accepted the petition brought by ANAC against the ANAC Santobono-Pausilipon TAR Lazio Decision (the "**2018 Council of State Decision**").

The Issuer subsequently appealed the 2018 Council of State Decision seeking its reversal *(i)* in January 2019 before the Italian Supreme Court (*Corte di Cassazione* – the "**Supreme Court Appeal**") on the basis that the law is clear that a false declaration or false documentation in connection with a public tender is actionable, but an omission is not; and *(ii)* in February 2019 before the Council of State (*ricorso per revocazione*), which rejected such claim in October 2020.

In addition, the 2018 Council of State Decision has also been appealed before the competent bodies of the Council of State seeking the suspension of its enforcement as a precautionary measure pending a final decision on the merits of the various appeals; in January 2019 such appeal brought by the Issuer was granted and therefore the validity of the 2018 Council of State Decision and, consequently, of the ANAC Santobono-Pausilipon Decision, was suspended pending the Supreme Court Appeal.

The merit of the Supreme Court Appeal was heard on October 20, 2020 and the ruling of the Supreme Court was published on December 4, 2020, which rejected our appeal and lifted the

suspension of the exclusion provided for by the ANAC Santobono-Pausilipon Decision (the "**Italian Supreme Court Ruling**"). ANAC entered the ANAC Santobono-Pausilipon Decision in the relevant electronic register on December 25, 2020 and therefore all public contracting authorities can learn of the ANAC Santobono-Pausilipon Decision. The exclusionary effects of the ANAC Santobono-Pausilipon Decision will end on June 17, 2021.

On October 20, 2020, we formally addressed to ANAC an out-of-court request to amend the ANAC Santobono-Pausilipon Decision (the "**Request of Revision of the ANAC Santobono-Pausilipon Decision**"), arguing, *inter alia*, that such decision is groundless and based on erroneous legal reasoning and, in any case, it imposes a disproportionate sanction *vis-à-vis* the alleged infringement, for which the Current Code on Public Procurement imposes a mere duty to produce the missing document. On January 5, 2021, we received a notice from an ANAC officer stating that the Request of Revision of the ANAC Santobono-Pausilipon Decision was rejected. We are considering additional actions to protect our interests, including by challenging the entering of the ANAC Santobono-Pausilipon Decision in the relevant register as well as the notice dated January 5, 2021.

For information regarding the potential implications of the Italian Supreme Court Ruling, including a preliminary estimate of its impact on our business, operations and revenue, see "*Summary—Recent developments—Exclusion of Rekeep S.p.A. from public tender procedures through June 17, 2021*" and "*Risk factors—Risks related to our business—We may face significant consequences as a result of the ANAC Santobono-Pausilipon Decision*."

FM4 Tender Litigation and other proceedings arising therefrom

The *ICA investigation and the related ICA FM4 Decision*

In June 2014, the Issuer tendered to CONSIP for contracts to clean offices used by Italian public entities (the "**FM4 Tender**"). In March 2017, we were informed that the ICA had opened an investigation against the Issuer and six other competitors to determine if antitrust violations were committed in connection with the FM4 Tender (in November 2017 and in April 2018, eleven additional companies were included in the scope of the ICA'investigation). The allegations in the FM4 are similar to those in the CONSIP School Contracts Litigation. On May 9, 2019, after the completion of the ICA Investigation, the ICA issued a decision stating that the Issuer and the other companies involved in the investigation violated antitrust rules in the FM4 Tender process, and issuing a fine against the Issuer and such competitors (the "**ICA FM4 Decision**"). The fine against the Issuer amounted to €91.6 million.

The appeals brought by the Issuer against the ICA FM4 Decision

On July 3, 2019, the Issuer challenged the ICA FM4 Decision before the TAR Lazio seeking the suspension of its effects (including the payment of the fine) (the "**ICA FM4 Decision Appeal**") on the grounds that the Issuer committed no wrongdoing in connection with its participation in the FM4 Tender and that the ICA FM4 Decision is unjustified and disproportionate. On July 18, 2019, the TAR Lazio granted the suspension request relating to the payment of the fine issued with the ICA FM4 Decision pending the TAR Lazio decision on the merits, subject to the Issuer granting a guarantee in favor of the ICA (including through an insurance policy) within 60 days from July 18, 2019.

The Issuer challenged the TAR Lazio decision issued on July 18, 2019 before the Council of State on August 1, 2019 which was denied on September 12, 2019. On September 17, 2019, the Issuer informed the market that it had not provided any guarantee in favor of the ICA whereafter on October 29, 2019 the ICA formally requested the guarantee be provided by the Issuer within 15 days in accordance with the court decision. The ICA also informed the Issuer that failure to provide such guarantee by the relevant deadline would have resulted in the relevant amount being registered as a tax debt of the Issuer in the tax register of the Italian Revenue Agency (*Agenzia delle Entrate*). The Issuer did not provide the requested guarantee and the sums requested by the ICA have been registered as tax debt of the Issuer and made enforceable by the Italian Revenue Agency following the issuance of a notice of payment on December 18, 2019 for

an amount equal to €94.611 million (including collection charges for €2.8 million). On December 23, 2019, the Issuer submitted a request for payment of these sums in installments, which was formally granted on January 10, 2020 by the Italian Revenue Agency. The decision of the Italian Revenue Agency granted the Issuer the possibility to pay the amount due in 72 monthly installments at an interest rate of 4.5% as from January 24, 2020. The Issuer has started to pay these installments on a regular basis, pending the outcome of the legal action brought against the ICA FM4 Decision. The Issuer paid the third monthly installments (for an aggregate amount of approximately €3 million) before a specific law provision granting to Italian companies the right to temporarily suspend such payments in favor of the Italian Revenue Agency entered into force as a special remedy to address the economic and financial impacts of the COVID-19 outbreak.

On July 27, 2020, the TAR Lazio ruled on the ICA FM4 Decision Appeal confirming the ICA FM4 Decision on the merits but partially accepting such appeal with respect to the criteria used in calculating the relevant fine (the "**TAR Lazio Ruling on the ICA FM4 Decision**"). The TAR Lazio consequently set the parameters for the recalculation and reverted the case to the ICA to recalculate the fine on the basis of such parameters. The Issuer, maintaining that there was not any wrongdoing in connection with its participation in the FM4 Tender and that the TAR Lazio Ruling on the ICA FM4 Decision was also unjustified and disproportionate, appealed the TAR Lazio Ruling on the ICA FM4 Decision before the Council of State (*Consiglio di Stato*) on November 25, 2020. On October 29, 2020, the ICA provided the aforementioned recalculation of the fine, which amounts to €79.8 million (which we have already prudentially accrued, adding a 3% interest amount – i.e. €82.2 million). We expect that the Italian Revenue Agency will grant us the possibility to pay such recalculated amount pursuant to an installments payment plan similar to that grated us on January 10, 2020 and that the installments already paid by us will be deducted from such new payment plan. However, on December 24, 2020, we challenged the foregoing ICA decision on the revised fine dated October 29, 2020 before the TAR Lazio.

On December 22, 2020, the ICA notified the Issuer its appeal against the TAR Lazio Ruling on the ICA FM4 Decision, requesting the confirmation of the ICA FM4 Decision and, in particular, of the original fine amounting to €91.6 million. Both such ICA appeal and our appeal against the TAR Lazio Ruling on the ICA FM4 Decision will be discussed before the Council of State on March 31, 2021. We intend to defend our position vigorously before the relevant courts.

The exclusion from the FM4 Tender and related proceedings and potential enforcement of the bid bonds

Furthermore, on June 28, 2019 we were also notified by CONSIP of its decision to exclude the Issuer from FM4 Tender alleging the Issuer's gross negligence ("*errore grave commesso nell'esercizio dell'attività professionale*") triggered by the Issuer's alleged breach of antitrust rules, as well as by the Issuer's alleged failure to provide reliable information to CONSIP during the tender procedure (again in connection with the alleged antitrust infringement). Moreover, CONSIP decided to proceed with the enforcement of the Issuer's bid bond (amounting to €3.9 million) provided in connection with such tender (the "**CONSIP FM4 Tender Exclusion**"). On July 3, 2019, the Issuer challenged the CONSIP FM4 Tender Exclusion before the TAR Lazio seeking its annulment as well as the suspension of its enforcement as a precautionary measure, pending the court's review on the merit of the case. On July 10, 2019, the TAR Lazio granted the Issuer's request of suspension of the enforcement of the CONSIP FM4 Tender Exclusion as a first precautionary measure, pending its decision on the ICA FM4 Decision Appeal. A second preliminary hearing was scheduled by the TAR Lazio on September 11, 2019. Following such hearing, the TAR Lazio granted the suspension of the enforcement of the Issuer's bid bonds provided in connection with the FM4 Tender, but not the request of suspension of the CONSIP FM4 Tender Exclusion *per se*, and scheduled a hearing to discuss the merits of the case on July 15, 2020, which was subsequently postponed to March 17, 2021. The Issuer challenged such precautionary decision before the Council of State alleging it was erroneous, but the Council of State rejected our appeal on November 28, 2019.

To date, since the FM4 Tender was not awarded, the latter did not generate any revenue for the Issuer's portfolio, nor was it included in the Issuer's backlog.

Potential financial and business consequences and self-cleaning measures

In terms of business consequences, we believe that the Issuer could be excluded, on a case by case basis and upon a discretional assessment, by public contracting authorities conducting the relevant tender or upon a decision of an administrative court following a claim by competitors seeking to block the participation of the Issuer in a tender for a period not exceeding three years.

As a result of both the ICA FM4 Decision and the CONSIP FM4 Tender Exclusion, certain of our competitors have challenged the Issuer's eligibility to participate in individual public tenders, alleging that the Issuer should be excluded since the alleged antitrust infringement constitutes gross negligence or bad faith. Similarly, certain of our competitors have already challenged the eligibility of other companies to participate in certain public tenders due to their alleged involvement in the alleged antitrust infringement by the Issuer, alleging that such companies should be also excluded since the alleged infringement constituted serious professional unlawful conduct under applicable law. As of the date of this Offering Memorandum, the competent courts have in certain cases rejected the requests brought by our competitors to exclude the Issuer from public tenders in light of the ICA FM4 Decision, while in other cases they have yet to come to a decision or have stated that the ICA FM4 Decision can in principle form the basis of a decision to exclude the Issuer from a tender, but that the tendering authorities did not provide detailed reasoning as to why, in these specific cases, the Issuer was not excluded and, therefore, ordered the tendering authorities to carry out that assessment again. As of the date of this Offering Memorandum, this new assessment has never led to the exclusion of the Issuer from any such tenders. In addition, as of the date of this Offering Memorandum – except for the below mentioned decision of CONSIP to exclude us from the relevant tender for museums cleaning – the Issuer has been excluded from only one public tender procedure upon the decision of the relevant tendering authority, and has promptly challenged such exclusion before the competent court. Such court stated that the ICA FM4 Decision can in principle ground the decision of a tendering authority – on a case by case basis and upon a discretional assessment of the tendering authority – to exclude the Issuer from a tender, but in that specific case, the tendering authority did not carry out a sufficiently in-depth analysis of the arguments presented by the Issuer in opposing the exclusion. Therefore the court ordered the tendering authority to carry out a new analysis, which is currently pending.

Statutory law provides that internal policies and procedures to minimize the possibility of further antitrust violations ("**Self-Cleaning Measures**") may be taken into consideration by public contracting entities and courts in considering whether not to exclude the Issuer from public tenders. The adoption and implementation of Self-Cleaning Measures does not automatically avoid the risk of exclusion from the relevant public tender procedure. However, the public contracting entity is required to provide adequate justifications regarding the insufficiency of the Self-Cleaning Measures to prove the entity's reliability and integrity. In response to this case, as well as to the CONSIP School ICA Decision mentioned below in this section, the Issuer adopted and implemented internal policies and procedures to minimize the possibility of future antitrust violations. In particular, the Issuer designed an Antitrust Compliance Program which was launched on February 23, 2017 and implemented the following specific Self-Cleaning Measures:

- internal policy concerning public tender procedures (*e.g.*, adoption of a self-limitation principle in relation to its participation through consortia and a procedure governing the exchange of correspondence between the Issuer and its subsidiaries);
- adoption of a code of conduct;
- approval of specific training activities;
- adoption of certain procedural measures (*e.g.*, whistle-blowing in relation to potential antitrust infringements, a general encouragement of timely communication to the legal department and disciplinary measures); and

- appointment of an Antitrust Compliance Officer, who shall supervise antitrust compliance. In addition, from April 2016, the Issuer implemented a reorganization to achieve, among other things, changes to certain primary management functions, the separation of the powers and responsibilities of the President and of the Chief Executive Officer and a change of the corporate governance structure of the Issuer, replacing the so-called "dualistic" model with a traditional governance model. *ANAC proceeding and criminal charges against an employee of the Issuer*

In addition, as a result of the CONSIP FM4 Tender Exclusion, ANAC also notified us of its decision to start a proceeding against us alleging that we provided false statements in the context of the FM4 Tender. On November 4, 2019 the Issuer challenged the ANAC decision before the TAR Lazio. A hearing for the discussion of the case has not yet been scheduled and ANAC has temporarily put its proceeding on hold pending the appeals brought by us against the ICA FM4 Decision and the CONSIP FM4 Tender Exclusion**)**. The theoretical impacts of an adverse result could be similar to those described in connection with the Santobono-Pausilipon False Statement Registration Proceeding, with the duration of a potential exclusion which cannot exceed one year starting from its registration by ANAC, due to the application of the Former Code on Public Procurement to this proceeding. See "*Summary—Recent developments—Exclusion of Rekeep S.p.A. from public tender procedures through June 17, 2021*," "*Risk factors—Risks related to our business—We may face significant consequences as a result of the ANAC Santobono-Pausilipon Decision*" and "*Business—Legal Proceedings—False Statement Registration litigation between the Issuer and ANAC following a proceeding started by ANAC upon notice by the Santobono-Pausilipon Public Health Agency of Napoli*."

Furthermore, in December 2017 and January 2018, two current employees and a former one of the Issuer were served with a formal notice concerning the conclusion of the preliminary investigation (*avviso di conclusione delle indagini preliminari*), which led to an indictment (*rinvio a giudizio*) for two of the employees and a request for the dismissal of the charges against the other, in relation to an investigation opened by the Office of the Public Prosecutor before the Court of Rome with reference to our participation in the FM4 Tender, alleging bid rigging (*turbativa d'asta*). The competent Judge for the Preliminary Hearing (GUP) proceeded with the indictment only against of one of the employees (since the other was acquitted) and the next hearing is scheduled on November 30, 2020. However, the Issuer cannot be held liable pursuant to LD 231 because the alleged charges fall outside of the application of such legislation *vis-à-vis* the Issuer.

The museums cleaning proceedings

Finally, as a result of the ICA Tender FM4 Decision, the Issuer was also notified by CONSIP of its decision to (i) exclude the Issuer from a CONSIP tender for museums cleaning; and (ii) proceed with the enforcement of the Issuer's bid bond provided in connection with such tender (such request was notified on 13 March 2020). The Issuer challenged such CONSIP decision before the TAR Lazio seeking the suspension of its effects pending the TAR Lazio's review. On April 22, 2020, the TAR Lazio suspended the enforcement of the Issuer's bid bond provided in connection with such tender and scheduled a hearing for the discussion of the merits of the case, which was held on October 21, 2020. On December 7, 2020, the TAR Lazio rejected the Issuer's appeal. The Issuer believes that this decision is erroneous and therefore on January 5, 2021, challenged it before the Council of State (*Consiglio di Stato*) seeking the suspension of its effects pending a decision on the merits of the appeal, including in relation to the potential enforcement of the bid bond.

Pending Legal Proceedings arising from the CONSIP School Contracts Litigation

The CONSIP School Contracts Litigation and the potential enforcement of the CONSIP School Performance Bonds

The Issuer provided cleaning services to over 550 public schools in Italy pursuant to individual contracts with such schools (the "**CONSIP School Contracts**"), each governed by a framework agreement awarded in November 2013 pursuant to a public tender process (the "**CONSIP School Framework Agreement**"). The Italian Competition Authority (the "**ICA**") issued a decision on

December 22, 2015 (the "**CONSIP School ICA Decision**") finding that the Issuer and three other competitors violated antitrust rules in the public tender process, issuing fines against the Issuer and such other competitors. The original fine against the Issuer was €48.5 million.

Following a series of further administrative and court decisions, the Issuer's fine was reduced to €14.7 million (due to the lesser degree of the infringement than originally alleged), payable in 30 equal monthly installments starting from May 2017 (with payment duly completed in 2019). We in any event challenged such reduced fine before the competent administrative court in 2017; a hearing was held in respect of our appeal on October 2, 2020 and the court has not yet ruled on this case. This litigation is referred to as the "**CONSIP School Contracts Litigation**". The Issuer also appealed the decisions before the Italian Supreme Court on technical and jurisdictional grounds, but the Italian Supreme Court did not decide on the facts at issue because it rejected the appeal with its decision dated January 18, 2019.

As a result of the CONSIP School ICA Decision, CONSIP also terminated the CONSIP School Framework Agreement in November 2016 (the "**CONSIP School Framework Termination"**) and reserved its power to enforce the performance bonds provided in connection with the CONSIP School Contracts (the "**CONSIP School Performance Bonds**"). Despite the termination of the CONSIP School Framework Agreement, the CONSIP School Contracts remained in force until February 29, 2020 pursuant to Art. 1, paragraph 7609, of Law 145/2018 which required the re-insourcing of cleaning services by the Public Administration. The Issuer appealed the decision in 2017 before the Civil Court of Rome. The appeal is still pending. To date, CONSIP has not enforced the CONSIP School Performance Bonds, but CONSIP will likely proceed with the enforcement if the Issuer loses the appeal brought before the Civil Court of Rome. As of September 30, 2020, the Issuer has recorded provisions for future charges of €17.5 million taking into account, *inter alia*, the risk of the possible enforcement of the CONSIP School Performance Bonds.

Court and out-of-court claims arising from the CONSIP School alleged antitrust breach

A competitor of the Issuer and the subsidiary of such competitor filed an out-of-court claim for damages amounting to approximately €18 million alleging that the antitrust breach established by the CONSIP School ICA Decision indirectly resulted in a reduction in the competitor's expected turnover related to the CONSIP School Contracts. The Issuer and its legal advisors promptly refuted such claims through formal letters sent to the competitor and believe that such out-of-court claim is without legal foundation.

Furthermore, on July 7, 2020, two of our competitors—Romeo Gestioni S.p.A. and Blackstone FD Consorzio Stabile (jointly, "**Romeo**")—brought a claim against us jointly and severally with the CNS—Consorzio Nazionale Servizi Società Cooperativa (the "**CNS**") and Roma Multiservizi S.p.A. ("**RM**"), before the Civil Court of Rome, claiming damages allegedly suffered in connection with both the alleged antitrust breaches established in the CONSIP School ICA Decision and other alleged anti-competitive behavior. Romeo's claim for compensation amounts to approximately €73 million for a loss of opportunities, profit and reputational damages and refers to the alleged non-award of certain lots of the CONSIP School Tender as a result of the alleged antitrust breaches established by the CONSIP School ICA Decision.

The Issuer believes that Romeo's claim is without merit and that there are various lines of defense available to argue that such claim is barred by the five-year statute of limitations applicable to tort liability (*responsabilità extracontrattuale*) under Italian law. In particular, as to the merit of Romeo's claim, the damages allegedly suffered by Romeo do not appear to be linked to the alleged anti-competitive action established by the CONSIP School ICA Decision. In addition, the damages allegedly suffered by Romeo have not been correctly quantified and appear to be significantly overestimated. In any event, in the absence of any valid appraisal by an economic advisor, such damages do not appear to have any vigorous analytical basis.

The Issuer responded to the claim and appeared before the Court of Rome on October November 26, 2020; the next hearing for the discussion of this case is scheduled on May 20, 2021.

The exclusion from the "barracks cleaning" and "public hospital cleaning" and related proceedings and potential enforcement of the bid bonds

In addition, as a result of the CONSIP School ICA Decision, in June 2017, CONSIP notified us of its decision to (i) exclude the Issuer from new tenders for "barracks cleaning" and "public hospital cleaning" (the "**Excluded Tenders**") as a result of the CONSIP School Contracts Litigation and (ii) proceed with the enforcement of the Issuer's bid bond provided in connection with the tender for "public hospital cleaning" (for an amount up to €10.4 million).

The Issuer has promptly challenged CONSIP's resolution in relation to the Excluded Tenders before the TAR Lazio, contesting the exclusion and the enforcement of the bid bond. The TAR Lazio, on March 2, 2018 rejected the Issuer's appeal (the "**TAR Lazio Decision on the Excluded Tenders**"). Moreover, on March 30, 2018 CONSIP informed us of its request, addressed to the competent insurance company, to enforce the Issuer's bid bond provided in connection with the tender for the "barracks cleaning". The relevant insurance company did not execute such request following the decision of the Supreme Administrative Court (Council of State) dated April 5, 2018 described below.

Following a further appeal brought by the Issuer before the Council of State, the latter, on April 5, 2018 suspended the TAR Lazio Decision on the Excluded Tenders. Both the execution of the TAR Lazio Decision on the Excluded Tenders and its effects (including with respect to the enforcement of the bid bonds) have been suspended by the Council of State with its decision dated June 19, 2018, pending the decision of the European Court of Justice on a case brought before it by the TAR Piemonte seeking to qualify the antitrust infringement as gross negligence ("*errore grave commesso nell'esercizio dell'attività professionale*") pursuant to the Former Code on Public Procurement.

On June 2, 2019, the European Court of Justice ruled on the abovementioned case brought by the TAR Piemonte, stating that an antitrust breach duly ascertained can be considered by a contracting authority as basis to exclude a bidder from a public tender procedure, provided that such authority justifies its decision to proceed with the exclusion. Accordingly the hearing on the merits of the appeal brought by the Issuer before the Council of State was rescheduled on January 16, 2020 and, following such hearing, the Issuer's appeal was partially rejected. The Issuer is currently drafting an appeal of such decision before the Italian Supreme Court (*Corte di Cassazione*) grounded on jurisdictional grounds.

Following the decision of the Council of State (*Consiglio di Stato*) of January 16, 2020, CONSIP asked the guarantors to enforce the guarantees (bid bonds) provided on behalf of the Issuer in relation to the Excluded Tenders ("public hospital cleaning" tender – equal to €10.4 million – and "barracks cleaning" tender – equal to €3.4 million). The Issuer, with independent appeals and further defense briefs, challenged the bid bonds enforcement request made by CONSIP before the TAR Lazio. The President of the TAR Lazio suspended the effect of CONSIP's request via a precautionary order until a precautionary hearing was held on March 4, 2020. Following such hearing, the TAR Lazio confirmed, on a precautionary basis, the suspension of the effects of CONSIP's request until a decision on the merits of the case was issued (the last hearing to discuss the merit of the case was held on July 1, 2020 and the TAR Lazio is expected to rule on this case in the next months. The Issuer has recorded provisions for future charges of €17.5 million as of September 30, 2020, taking into account, *inter alia*, the risk of the possible enforcement of the bid bonds provided in connection with the Excluded Tenders. Moreover, on July 28, 2020, the insurance company that issued the bid bonds for the CONSIP Sanità tender submitted an appeal pursuant to Art. 702 *bis* of the Italian Civil Procedural Code, requesting the payment of €10,438,000.00 by way of funding (*a titolo di provvista*) in case of enforcement of the bonds provided for participation in the CONSIP Sanità tender, in addition to further damages in the amount of interest accrued on the sum, in accordance with the provisions of the term sheet regulating the bid bonds. The first hearing is scheduled on March 24, 2021.

Neither of the Excluded Tenders generate revenues for the Group or are included in the Issuer's backlog. Moreover, the Issuer has never operated in the barracks cleaning market segment and,

with respect to services in the hospital services sector, the Issuer currently operates with various counterparties and pursuant to various existing contractual relationships, including the CONSIP Mies conventions, conventions with regional authorities or pursuant to contracts awarded directly by clients. CONSIP's decision on the Excluded Tenders does not prohibit the Issuer from participating in and winning future tenders arranged by CONSIP or, more generally, arranged by public authorities. Ongoing tender procedures remain valid.

As a result of both the CONSIP School ICA Decision and the CONSIP School Framework Termination, certain of our competitors have challenged the Issuer's eligibility to participate in individual public tenders, alleging that the Issuer should be excluded since the alleged antitrust infringement constitutes gross negligence or bad faith. Similarly, certain of our competitors have already challenged the eligibility of other companies to participate in certain public tenders due to their alleged involvement in the alleged antitrust infringement by the Issuer, claiming that such companies should also be excluded since the alleged infringement constituted serious professional unlawful conduct under applicable law. As of the date of this Offering Memorandum, the competent courts have in certain cases rejected the requests brought by our competitors to exclude the Issuer from public tenders in light of the CONSIP School ICA Decision, while in other cases they have yet to come to a decision or have stated that the CONSIP School ICA Decision can in principle form the basis of a decision to exclude the Issuer from a tender, but that the tendering authorities did not provide detailed reasoning as to why, in these specific cases, the Issuer was not excluded and, therefore, ordered the tendering authorities to carry out that assessment again. As of the date of this Offering Memorandum, this new assessment has never led to any such exclusion of the Issuer. In addition, as of the date of this Offering Memorandum, except for the abovementioned Council of State decision on the Excluded Tenders, the Issuer has been excluded upon decision of the tendering authority in only one instance, and has promptly challenged such exclusion before the competent court. The relevant court stated that the CONSIP School ICA Decision can in principle justify the decision of a tendering authority, on a case by case basis and in its discretion, to exclude the Issuer from a tender, but in that specific case, the tendering authority did not carry out a sufficiently in-depth analysis of the arguments presented by the Issuer in opposing the exclusion as well as of the self-cleaning measures implemented by the Issuer following the CONSIP School ICA Decision. Therefore, the court has ordered the tendering authority to carry out a new analysis, which is currently pending. Finally, we have been informed that an additional tendering authority is currently considering whether to exclude us in light of the CONSIP School ICA Decision, but has not yet taken a final decision in relation thereto; we are presenting arguments to the relevant tendering authority and we will consider challenging any potential exclusion.

Prelios SGR S.p.A.—Scarmagno Fire—Criminal Proceeding

On March 19, 2013, a fire at the former Olivetti premises in Scarmagno (Turin) led to the destruction of the building and the goods contained therein. The Issuer was performing integrated facility services pursuant to an agreement with Prelios SGR S.p.A. (owner of the building) in such premises. Three of our employees, the owner and two employees of one of our sub-contractors and the owner of the firm that stocked combustible material on site have been charged with arson and violations of safety regulations that allegedly caused the fire before the Criminal Court of Ivrea. The Issuer was sued by the plaintiffs (Prelios SGR S.p.A., Telecom Italia S.p.A., Olivetti S.p.A., Urmet S.p.A., Wirelab S.p.A., and Mr. De Lise), as a severally liable party in respect of all the financial and non-financial damages. The request for damages brought in the context of such criminal proceedings were equal to approximately €4.5 million (plus any additional damages that can be requested and demonstrated during the proceedings). On February 24, 2017, the Criminal Court of Ivrea full acquitted all the defendants in light of, *inter alia*, the lack of malice on their part. The Office of the Public Prosecutor and the plaintiffs have appealed such decision before the Criminal Court of Appeal of Turin which has not yet scheduled a first hearing for the discussion of such appeal.

Moreover, various parties allegedly damaged by the fire accident, and, in certain cases their related insurance companies (including AIG Europe Limited and Generali S.p.A.) brought civil

suits as well as out of court requests against the Issuer for damage reimbursement, in relation to damages allegedly caused by the Issuer's employees. As a result of such requests and claims, upon the execution of certain settlement agreements we paid to such claimants an overall amount of approximately €4 million, through amounts made available by the Issuer's insurance company. In such cases, the claimants, while retaining some specific rights of recourse, generally waived their rights to further litigate the relevant matter against the Issuer. As of the date of this Offering Memorandum, it is difficult to quantify the exact amount of additional damages, which could still be claimed by other parties allegedly damaged by such fire.

Naples criminal proceeding

On April 3, 2017, the Naples Public Prosecutor served a search warrant and a notice of a criminal investigation against three current employees and one former employee of the Issuer, and as a result, the Issuer, in its capacity as employer, was also subject to investigation under LD 231, in relation to the alleged bribery by such employees of one or more public officials in the context of the tender for the awarding of certain cleaning services at the Santobono-Pausilipon Public Health Agency (*Azienda Ospedaliera di Rilievo Nazionale Santobono-Pausilipon*) of Napoli, which generated approximately €2.5 million in annual revenues in 2016 and had a negative contribution margin for the Issuer. Works under the project concluded in May 2017. The crime of corruption can trigger administrative liability for the Issuer under LD 231, and at the beginning of May 2017 the Public Prosecutor requested a temporary injunction on the Issuer from contracting with public authorities pending the conclusion of the criminal investigation. Following a hearing on May 26, 2017, the judge rejected the temporary injunction, finding that the conditions for such injunction were not satisfied.

On August 3, 2017, the Judge of the Preliminary Investigations (GIP) dismissed the investigation as to the position of two of the aforementioned employees, while, on December 28, 2017, the competent Judge for the Preliminary Hearing (GUP) proceeded with the indictment of the remaining employee and the former employee, as well as the Issuer. The next hearing is scheduled to take place on January 29, 2021.

If convictions were to be obtained, following final, non-appealable judgments through three levels of courts, these could trigger administrative liability for the Issuer under LD 231, resulting in monetary fines and, in certain cases, temporary prohibitions from entering into contracts with public entities, and/or give the right to certain private sector counterparties, in addition to public ones, to terminate existing contracts.

The Issuer believes that the claims against its employees are groundless. In particular, initial precautionary measures imposed on an employee were subsequently revoked on the basis of the retraction of certain prosecution witness' testimonies. Moreover, in order for liability under LD 231 to attach on the employer, the law requires the conviction of persons among the senior management, which is not the case with respect to the employee and former employee in the case at issue. Similarly, in case of conviction of an employee reporting to a senior manager, the law requires sufficient proof of the weakness of the Issuer's internal controls. In both cases, in order for any prohibition from entering into contracts with public entities to be applied, the Issuer must have derived a material benefit from the criminal behavior of its employees. The Issuer adopted in 2008 (and therefore had in place during the time of the alleged crime) the required internal organizational policies and structures to prevent crimes under LD 231.

The Issuer has not established any reserves in respect thereof.

Locri criminal investigation against former officers of Servizi Ospedalieri

In April 2019, the Public Prosecutor before the Court of Locri notified current and former officers of Servizi Ospedalieri with preliminary notices to appear for questioning within a preliminary investigation for conspiracy to commit abuse of office in their capacity as private individuals (*concorso esterno in abuso d'ufficio*), in the delivery of laundering services to the health unit (ASL) of Locri. In April 2020, the Public Prosecutor of Reggio Calabria who, based on our understanding was deemed competent for this proceeding) requested an extension of the

investigation phase. According to our preliminary review of the matter, we understand that the Public Prosecutor is investigating in order to assess, *inter alia*, whether the foregoing current and former officers of Servizi Ospedalieri committed the abovementioned breaches by providing services to the ASL of Locri in the absence of any contracts or any valid reasons for a prorogation of the expired contract or for its renewal. However, the Group cannot be held liable pursuant to LD 231 because the alleged charges fall outside of the application of such legislation *vis-à-vis* the Group.

Varese 231 Investigation

On September 23, 2020, in the context of a criminal investigation carried out by the Prosecutor of Varese in connection to certain listed crimes, including (*truffa aggravata*), fraud in public supplies (*frode in pubbliche forniture*) and false statement (*falso ideologico*) against, *inter alia*, the Chairman of the Issuer and the Issuer itself pursuant LD 231, the Issuer was notified of a preventive monetary seizure order issued by the competent Judge of the Preliminary Investigations (*GIP*) for approximately €58,549. In particular, such investigation concerns alleged false attestations relating to the correct execution of public contracts aimed at defrauding the contracting entity involved so as to obtain sums greater than those due under the applicable contract. However, on October 19, 2020 the Court of Review of Varese (*tribunale del riesame*), ordered the cancellation of the afore-mentioned seizure and ordered the restitution of the relevant sums. The investigation is still in a preliminary stage and, based on the present state of evidence, we are confident of a positive outcome of the investigation for us and our Chairman.

However, if convictions were to be obtained, following final, non-appealable judgments through three levels of courts, these could trigger administrative liability for the Issuer under LD 231, resulting in monetary fines and, in certain instances, temporary prohibitions from entering into contracts with public entities, and/or give the right to certain private sector counterparties, in addition to public ones, to terminate existing contracts.

Legal proceedings between Isom and Protecno Impianti S.r.l.

Isom, as contractor, and Protecno Impianti S.r.l. ("**Protecno**"), as tenderer, entered into two sub-tender agreements, respectively, on October 7, 2013 (for the construction of distribution networks in tunnels and cavities) and October 14, 2014 (for the construction of mechanical systems as part of the redevelopment of the thermal sub-centrals) (the "**Protecno Agreements**").

On December 9, 2015, due to significant delays by Protecno in the execution of the obligations set forth in the Protecno Agreements, Isom resolved the two Protecno Agreements. On November 28, 2016 Protecno filed a complaint against Isom before the Court of Bologna requesting to (*i*) declare null and void the termination of the relevant Protecno Agreements, and (*ii*) sentence Isom to pay damages for works executed and not accounted for, totaling an amount equal to approximately €6,334,496.

On January 15, 2020, the Court of Bologna ruled in favor of Isom rejecting all the claims proposed by Protecno. Such Court also ordered Protecno to (i) pay to Isom an overall amount equal to approximately €574,000 (plus legal interests) and approximately €50,300 (plus legal interests) for legal procurement fees; and (ii) delivery to Isom a credit note (*nota di credito*) equal to approximately €420,720.

Protecno appealed such decision on February 27, 2020 before the Court of Appeal of Bologna requesting again the payment of the aforementioned €6,334,496 by Isom. On October 1, 2020, the Court of Appeal of Bologna, in the context of the same proceeding, ordered a third party technical consultancy (*consulenza tecnica d'ufficio)* to further investigate the requests made by Protecno and their technical merits. Such appeal is still pending and on December 4, 2021, the party technical consultant will commence the relevant expert appraisals (*operazioni peritali*).

STU Golfo Aranci Proceedings

In 2015, we became involved in various civil proceedings initiated by Real Invest S.r.l., Società Centro Residenziale Ingefin S.r.l. and Il Golfo degli Aranci S.r.l. (together, the "**Claimants**")

before the Civil Courts of Sassari and Rome, regarding claims for non-contractual damages against us, Centro Immobiliare S.p.A., Prelios S.p.A., Silec S.p.A., MEC S.p.A. and the urban transformation company STU Golfo Aranci S.r.l. The Claimants alleged their illegal exclusion from the private negotiation announced by the Municipality of Golfo Aranci (Sardinia, Italy) to identify the private shareholder of the soon-to-be established urban transformation company (*società di trasformazione urbana*, the "**STU**"). In this regard, the Claimants also brought a legal action against the Municipality of Golfo Aranci before the competent administrative law court alleging the same damages grounded on the same legal arguments. The legal proceeding is still pending. The Claimants allege an illegal change in the admission requirements of the identification procedure and that the person employed by the municipal administration to conduct the feasibility analysis was related to the company that later drafted the design for the group which won the private negotiation.

The Claimants allege damages of approximately €350 million. The damages are requested on a joint and several basis from the respondent companies, and we have been summoned in our role as a member of the temporary association of companies as we held a stake of approximately 1.2% in each of the TJA and the STU. We are vigorously defending against such claim, and have already raised significant procedural and substantive issues in our defense.

No specific reserve has been set aside for this matter.

Other proceedings concerning health and safety legislation and other investigations or proceedings pending against certain of our employees or former employees which could potentially trigger our liability under LD 231

We are party to various legal proceedings arising in the ordinary course of business concerning the alleged violation of health and safety legislation. Although our legal and financial liabilities with respect to such proceedings cannot be estimated with certainty, based on information available as of the date of this Offering Memorandum and taking into account insurance policies, indemnity agreements and other existing provisions, we do not believe that the outcome of these legal proceedings, individually or in aggregate, will be materially adverse to our business, financial position or results of operations. In addition, the violation of certain of the mentioned health and safety legislation provisions could trigger administrative liability for us under LD 231; however, as of the date of this Offering Memorandum, none of these pending proceedings concerning the breach of health and safety provisions is accompanied by a LD 231 proceeding except for a criminal proceeding pending before the Court of Alessandria against a former employee of the Group and the Issuer. In particular, in May 2019, such former employee of the Group was served with a formal notice concerning the conclusion of the preliminary investigation (*avviso di conclusione delle indagini preliminari*), which led to an indictment (*rinvio a giudizio*) for both the former employee and the Issuer in relation to an investigation opened by the Office of the Public Prosecutor before the Court of Alessandria in relation to two different work accidents involving two workers who suffered serious injuries. The competent Judge proceeded with the indictment for both the former employee and the Issuer pursuant to LD 231 and the next hearing is scheduled on May 27, 2021.

As of the date of this Offering Memorandum, other investigations or proceedings are pending against certain of our employees or former employees for alleged breaches of the applicable regulatory framework in the context of their professional tasks which could potentially trigger our liability under LD 231 (including, among others, environmental and tax related breaches). In particular, while as of the date of this Offering Memorandum we are not involved in any such investigations or proceedings, we cannot provide any assurance that we will not be investigated as the alleged violations under scrutiny fall within the scope of application of LD 231. See "*Risk Factors—Risks Related to Our Business—We may incur liabilities or be excluded from contracting with public authorities for the actions of our employees, managers or agents*."

Management

The Issuer

The Issuer was incorporated as a private joint stock company (*società per azioni*) under the laws of the Republic of Italy on December 1, 2003, and is registered under number 02402671206 with the Companies Register of Bologna (*Registro delle Imprese di Bologna*). The Issuer's registered office is at Via Ubaldo Poli, 4, 40069 Zola Predosa (BO) and its telephone number is +39 051 351 5111. On July 2, 2018, the Issuer's name was rebranded from "Manutencoop Facility Management S.p.A." to "Rekeep S.p.A".

The Issuer is managed by a Board of Directors (*Consiglio di Amministrazione*) which, within the limits prescribed by Italian law, has the power to delegate its general authority to an executive committee or certain managing directors. The Board of Directors determines the powers of the Chairman. In addition, the Italian Civil Code requires the Issuer to have a Board of Statutory Auditors (*Collegio Sindacale*) which functions as a supervisory body as further described below.

The composition of the Board of Directors of the Issuer is set by its by-laws.

Board of Directors

As of the date of this Offering Memorandum, the Issuer's Board of Directors has seven members. Members of the Board of Directors are appointed by our shareholders at ordinary shareholders' meeting for a three-year term expiring on the date of the ordinary shareholders' meeting called to approve the financial statements for the third financial year of their term. All directors were appointed at the shareholders' meeting held on April 24, 2020. Save for the expected early termination or resignation of the members of the Board of Directors, the directors are expected to remain in office until approval by the shareholders of the financial statements for the year ending December 31, 2022.

The following table sets forth the current members of the Board of Directors as of the date of this Offering Memorandum.

Name	Age	Position
Mr. Giuliano Di Bernardo	60	Chairman and Chief Executive Officer
Mr. Giuseppe Pinna	66	Vice Chairman
Mr. Laura Duò	42	Member
Ms. Rossella Fornasari	61	Member
Mr. Paolo Leonardelli	68	Member
Mr. Gabriele Stanzani	62	Member
Mr. Matteo Tamburini	63	Member

Set forth below is certain biographical information relating to the current members of the Issuer's Board of Directors.

Giuliano di Bernardo began his professional carrier as sales supervisor for a newspaper, where he was responsible for sales planning and coordination. Between 1990 and 1996, he undertook the same role for a publishing company and then later for another newspaper. In 1997, he became head of commercial activities for a services consortium and was responsible for commercial development and promotion in the regions of Veneto, Trentino-Alto Adige and Friuli-Venezia-Giulia. Mr. di Bernardo joined MSC in 1999 as head of commercial activities for the Veneto region and, in 2005, he became head of marketing for a casino. In 2006, Mr. di Bernardo took on the role of head of regional promotion and development for the Issuer, and from 2005 to 2010, he has served as assistant to the chairman, upon which time he was appointed Chairman.

Giuseppe Pinna obtained a diploma in accounting from Istituto Satta (Macomer) in 1975 and joined the Group in 1995. Since 2016, Mr. Pinna has been serving as head of key operations of the Issuer. Prior to joining the Group, Mr. Pinna worked as head of administration at Gruppo Cooperativa Muratori & Cementisti.

Laura Duò obtained a degree in business from the University of Trento in 2002 and an executive master's degree in business administration from the Business School of the University of Bologna in 2003. Ms. Duò joined the Issuer in 2007 and has been serving as head of Purchases since 2015. She previously worked as an auditor at EY.

Rossella Fornasari obtained her diploma in accounting in 1978. Between 1979 and 2004 she worked as an accountant for MSC. She then worked as the director of accounting for the Issuer before assuming her current post as financial and accounting director of MSC.

Paolo Leonardelli obtained a diploma from the Accounting Technical Institute in 1973. Mr. Leonardelli began his career in 1973 in various administrative roles before becoming the marketing director of Pedus Service P. Dussmann S.r.l. in 1985 where he remained until 2000. Mr. Leonardelli then worked as the development director of Servizi Ospedalieri S.p.A. until December 2004. He first joined the Group in January 2005 as the Director of Marketing and Development of the Issuer. Mr. Leonardelli then worked as the president of Servizi Ospedalieri S.p.A. before rejoining the Issuer in September 2015 as the Director of Investor Relations.

Gabriele Stanzani obtained his diploma in accounting and joined the Issuer in 1986. He previously served as head of Treasury of the Group since 2009.

Matteo Tamburini obtained a degree in Business and Economics from the University of Bologna. He is a registered accountant and served as an assistant to the Chief of Finance and Control at Grandi Lavori S.p.A. from 1981 to 1983. He joined Studio Gnudi in 1983, and was elevated to partner in 1988 where he practices as a registered accountant focused on international and national tax planning, mergers and acquisitions advisory, company law, tax litigation, restructuring and capital markets transactions.

Board of statutory auditors

General

Pursuant to applicable Italian law, the Issuer has appointed a Board of Statutory Auditors (*Collegio Sindacale*) whose objective is to oversee our compliance with applicable law and with the Issuer's by-laws, monitor the implementation of best practices and assess the adequacy of the internal controls and accounting reporting systems, as well as the adequacy of the supply of information to the Issuer's subsidiaries.

There are presently three auditors and two alternate auditors on the Issuer's Board of Statutory Auditors. Members of the Board of Statutory Auditors are appointed by our shareholders at ordinary shareholders' meetings for a three-year term expiring on the date of the ordinary shareholders' meeting called to approve the financial statements for the third financial year of their term. All members of our Board of Statutory Auditors were appointed at the shareholders' meeting held on April 29, 2020. Members of the Board of Statutory Auditors may be removed only for a valid reason and with the approval of an Italian court.

The following table sets forth the names, ages and titles of the members of the Issuer's current Board of Statutory Auditors.

Name	Age	Position
Mr. Germano Camellini	74	Chairman
Mr. Marco Benni	56	Auditor
Mr. Giacomo Ramenghi	50	Auditor
Ms. Antonella Musiani	50	Alternate Auditor
Mr. Michele Colliva	72	Alternate Auditor

Germano Camellini obtained a degree in political science from the University of Bologna. Mr. Camellini has served as a member of the Board of Statutory Auditors for several health care companies including, AUSL Di Ferrara, AUSL di Bologna and Azienda Ospedaliera San Salvatore Pesaro. He has also worked as the external auditor for various companies throughout his career

and has worked as a conservator for the civil chamber of the Bologna trial court as well as a liquidator for the Finance Ministry.

Marco Benni obtained a degree in business and economics from the University of Bologna in 1989. Mr. Benni was admitted to the roll of Chartered Auditors in 1991 and the roll of Auditors in 1992. He began his career at UniCredit S.p.A. where he served as a senior manager in the consolidation and accounts approval team. Subsequently, he spent nearly 10 years at the business consulting service at Federcoop Romagna, a cooperative that provides technical and business services.

Giacomo Ramenghi obtained a degree in business and economics from the University of Bologna in 1989. He was admitted to the roll of Chartered Auditors and the roll of Auditors since 2003 and is registered as a technical consultant with the court of Bologna. He has extensive experience in company advisory, accounting and taxation matters, extraordinary operations and advising on the preparation of financial statements. Mr. Ramenghi is a partner of Studio Gnudi. He also teaches at the University of Bologna.

Antonella Musiani obtained her diploma in accounting from the Technical and Commercial Institute of Bologna in 1989 and admitted to the roll of Chartered Auditors in 1999. Since 2013, Ms. Musiani has been a partner at the Paola Codicè – Antonella Musiani and Associates firm where she advises companies on various business transactions, tax, administrative and contract matters as well as prepares and reviews financial statements for various clients.

Michele Colliva obtained a degree in business and economics from the University of Bologna in 1975. He was admitted to the roll of Chartered Auditors and the roll of Auditors since 1995 and is registered as a technical consultant with the court of Bologna. He has extensive experience in company advisory, accounting and taxation matters, extraordinary operations and advising on the preparation of financial statements.

Senior Management

The following sets forth the members of the senior management of the Issuer (other than the Chairman and Chief Executive Office who are discussed under "*—Board of Directors.*")

The following table sets forth the members of the senior management as of the date of this Offering Memorandum:

Name	Age	Position
Mr. Michele Codoni	49	Head of Sales and Marketing
Mr. Luca Buglione	43	Chief Financial Officer, M&A, Investor Relations
Mr. Gabriele Stanzani	62	Head of Treasury
Ms. Elisabetta Lelli	55	Head of Legal
Ms. Laura Duò	43	Head of Purchases

Set forth below is certain biographical information relating to the members of our senior management as of the date of this Offering Memorandum.

Michele Codoni obtained his degree in civil engineering from the University of Trento in 1999. He joined the Group in 2010 and has served in various capacities, including as head of sales for energy and maintenance services in Italy from 2010 to 2015. Since 2015, he has served as director of sales. Mr. Codoni previously worked in the sales development department at Siram (controlled by Veolia), Dussmann Service, and Edison Facility Solutions (formerly known as PVB).

Luca Buglione obtained his degree in business administration from the University of Bologna in 2000 and an executive master's in business administration from the Bologna Business School in 2012. Mr. Buglione joined the Issuer in 2009, initially working in mergers and acquisition, strategic planning and investor relations, until his appointment in 2014 as head of corporate development and M&A. In 2015, he was appointed head of strategic planning, M&A and business development. He subsequently added investor relations to his duties. Mr. Buglione became CFO

in November 2019. Mr. Buglione previously worked for five years in the field of M&A advisory, assisting middle market companies and private equity firms in domestic and cross-border M&A.

Gabriele Stanzani obtained his diploma in accounting and joined the Issuer in 1986. He has been serving as head of Treasury since 2009.

Elisabetta Lelli obtained her degree in law from the University of Bologna in 1992. She joined MSC in 1998 and joined the Issuer as head of legal through employee leasing. She previously worked in private practice from 1995 to 1997.

Laura Duò obtained a degree in business from the University of Trento in 2002 and an executive master's degree in business administration from the Business School of the University of Bologna in 2003. Ms. Duò joined the Issuer in 2007 and has been serving as head of Purchases since 2015. She previously worked as an auditor at EY.

Our shareholder

As of the date of this Offering Memorandum, the Issuer's share capital amounted to €109,149,600.00 divided into 109,149,600 ordinary shares with a par value of €1.00 each with equal voting and economic rights. As of the date of this Offering Memorandum, MSC owns 100% of the Issuer's ordinary shares.

MSC is a "predominately mutualistic" cooperative pursuant to Italian law (*società cooperativa*) formed in 1938 whose main business activity is employee leasing to the companies of the Group, as well as providing a range of employment, social and professional opportunities to its shareholders. Other than the Issuer, MSC also holds investments in certain commercial property and agri-business and environmental services companies.

The following is a brief description of MSC based on publicly available information.

MSC's capital comprises both worker shareholders (approximately 370), and financial shareholders (*soci sovventori*) (approximately 263). Admission of new worker shareholders in MSC requires the approval of its board of directors and is subject to, among others, the requirement that the worker has been an employee of the company's or one of its subsidiaries' for at least three years. Worker shareholders cannot sell or pledge their shares in MSC, they can only have them annulled (due to withdrawal or expulsion). Financial shareholders can only transfer their shares in MSC with the approval of MSC board of directors, a majority of which must comprise worker shareholders. While each MSC shareholder has one vote only, regardless of the interest it holds in MSC, financial shareholders can have up to five votes, depending on the size of their interest in MSC; however, the aggregate of MSC financial shareholders votes cannot exceed one-third of all votes.

Certain relationships and related party transactions

The following sets forth information relating to transactions between us and our related parties. For a description of certain other related party transactions, see footnote 36 to our Audited Consolidated Financial Statements as of and for the year ended December 31, 2019 and footnote 22 to our Unaudited Interim Condensed Consolidated Financial Statements.

We believe that the transactions detailed below and in the footnote referenced above were performed under arm's length market conditions, i.e. in line with conditions that would have applied between non-related parties. Market prices are applied to both commercial and financial transactions; non-interest bearing loans were only disbursed in the case of pro-quota financing granted by syndicated shareholders to consortium companies (e.g., TJA and project financing sponsor companies). These loans, if long-term, were discounted in our financial statements. The Issuer not only provides technical-production services relating to the core business, but also administrative, and IT services and other general services for certain group companies, included the shareholder MSC. No guarantees were given or received in relation to receivables and payables with related parties.

Relationship with MSC

The Issuer may occasionally perform technical services and/or works in favor of individuals who hold senior management positions within MSC or the Group, on the basis of contracts entered into on an arm's length basis. Advances of €1.0 million collected against these services were recognized as of September 30, 2020 (€1.3 million as of December 31, 2019).

We maintain a number of contractual arrangements with our shareholder, MSC. The most prominent such dealings for the years ended December 31, 2017, 2018 and 2019 and for the nine months ended September 30, 2020 related to costs we paid to MSC for employee leasing; such costs amounted to approximately €26.0 million, €22.8 million, 24.4 million and €13.4 million, respectively. The total cost of a leased employee, compared with an employee of equivalent rank hired directly by the Group, is approximately 6.5% higher due to services fees and payments into a mandatory fund for training of leased employees. However, we believe that this cost is more than offset by the increased benefit to us in terms of the flexibility of a leasing relationship compared to a direct employment relationship with respect to hiring and termination. See "*Business—Employees and labor arrangements—Employee leasing*" for more discussion of our employee leasing practices.

Beside the above-mentioned arrangement, MSC is contractually committed with the individual companies of the Group to preparing pay packets and rendering other personnel-related services for an annual total amount of approximately €3.5 million.

From time to time we may enter into lease agreements with MSC with respect to real estate properties on market terms. As of the date of this Offering Memorandum, we rent from MSC the real estate properties used as our headquarters in Zola Predosa (Bologna), pursuant to a lease agreement which was renewed on January 1, 2017 through December 12, 2023 (with a six-year automatic renewal). We also lease from MSC certain warehouses and other offices in Zola Predosa (Bologna), Modena, Mestre (VE), Chioggia (VE), Cascina (PI) and Bologna. The annual total amount of rent fees paid to MSC is €2.1 million.

The Issuer and its subsidiaries are subject to the management and coordination activities of MSC and pay an aggregated annual fee for these services, which amounted to €1,845 thousand for the twelve months ended September 30, 2020. See "*Summary historical consolidated financial information and other data—Reconciliation for the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020 from the profit / (loss) from continuing operations to EBITDA and Normalized EBITDA and Pro forma Normalized EBITDA*."

We have entered into a tax consolidation agreement with MSC pursuant to which MSC as consolidating entity will receive the relevant funds to pay corporate income tax relating to the

income generated by the Issuer five days before any payment date (advances or settlement payments). The Issuer is responsible for offsetting the aggregate credit/debit account balance (including that of its subsidiaries) *vis-à-vis* MSC.

The table below sets forth certain information regarding the transactions between the Group and MSC for the periods indicated.

Related party transactions (in thousands of €)	Revenue	Costs	Financial income	Financial expenses	Trade receivables	Trade payables	Financial receivables and others	Financial payables and others
Year ended December 31, 2017	137	31,355	—	162	100	12,450	8,004	267
Year ended December 31, 2018	230	31,337	1	211	88	9,042	15,285	507
Year ended December 31, 2019	159	32,014	—	1,123	62	8,943	8,002	33,096
Nine months ended September 30, 2019	102	23,645	—	849	65	8,943	8,082	33,096
Nine months ended September 30, 2020	6	19,520	—	701	149	7,508	17,475	20,071

Relationship with other parties

We are party to the CMF Consorzio Stabile with a third-party partner who holds a 1% participation in that entity. See "*Business—Our business model and service delivery—Service delivery*." As part of our execution of public tenders via CMF Consorzio Stabile, we enter into subcontracting arrangements with such third-party for it to execute portions of the relevant public tenders that pertain to its area of expertise (cleaning) and where we have determined it makes sense to do so, for which such party receives subcontracting revenue.

The Group holds majority interests in certain subsidiaries and granted the non-controlling shareholders of such subsidiaries put options (with the Group holding a related call option), such as (i) the put/call option with respect to an additional shareholding in the Naprzód Group, which can be exercised between October 30, 2024 and October 30, 2025 at a price determined on the basis of, and that can vary depending on, certain parameters established in the relevant acquisition agreement; and (ii) the put option enforceable by the minority shareholders of Rekeep France S.A.S. between June 30, 2021 and June 30, 2023. See Note 12 of the Unaudited Interim Condensed Consolidated Financial Statements as of and for the nine months ended September 30, 2020 for a more detailed description of such arrangements. Pursuant to IFRS, the fair value of the put option in respect of Naprzód is expected to be recorded on our statement of financial position in connection with the preparation of our consolidation statement of financial position as of December 31, 2020.

Description of certain financing arrangements

The following summary of our significant indebtedness does not purport to be complete and is subject to, and qualified by, the underlying documents.

Revolving Credit Facility

We will enter into the Revolving Credit Facility Agreement with, *inter alios*, UniCredit S.p.A. as agent (the "**RCF Agent**") and UniCredit S.p.A., as Security Agent. Under the Revolving Credit Facility Agreement, the Issuer will be an original guarantor and the original borrower.

The Revolving Credit Facility Agreement provides for a Revolving Credit Facility of up to €75.0 million, which will be used for general corporate and working capital purposes of the Group (as defined in the Revolving Credit Facility Agreement), but will not be used for (i) the payment of any dividend or any other distribution in respect of share capital in the Issuer or (ii) any debt purchase transaction.

Subject to final documentation, the Revolving Credit Facility will contain the following principal terms:

Repayments and Prepayments

The Revolving Credit Facility will mature on the earlier of the date falling six months prior to the date of maturity of the Notes and the date falling five years after the Issue Date.

Subject to certain conditions, we may voluntarily prepay our utilizations and/or permanently cancel all or part of the available commitments under the Revolving Credit Facility by giving three business days' (or such shorter period as the required majority of lenders under the Revolving Credit Facility Agreement agree) prior notice to the RCF Agent. We may reborrow amounts repaid, subject to certain conditions, until one month prior to maturity.

In addition to voluntary prepayments, the Revolving Credit Facility Agreement requires mandatory prepayment in full or in part (including, at the option of a Lender electing to be mandatorily prepaid) in certain circumstances, including, subject to certain conditions, following a Debt Repurchase (as defined in the Revolving Credit Facility Agreement), if all or substantially all of the business and assets of the group taken as a whole are sold, or upon the occurrence of a Change of Control (as defined in the Revolving Credit Facility Agreement). The "Change of Control" definition in the Revolving Credit Facility Agreement is the same as the "Change of Control" definition contained in the Indenture but with additional limbs that are customary for bank financings.

Interest and Fees

The Revolving Credit Facility bears interest at a rate per annum equal to EURIBOR and a margin that will be 3.50% per annum. We are also required to pay a commitment fee, quarterly in arrears, on available but unused commitments under the Revolving Credit Facility Agreement at a rate of 1.05% per annum. We are also required to pay an arrangement fee and certain fees to the RCF Agent and the Security Agent in connection with the Revolving Credit Facility.

Security and Guarantees

The Issuer will be the original borrower under the Revolving Credit Facility. The Revolving Credit Facility (subject to certain agreed security principles set out in the Revolving Credit Facility Agreement) is secured as further described in the section entitled "*Description of the Notes—Security*" and the granting of the Issue Date Collateral and the special lien (*privilegio speciale*) securing the Revolving Credit Facility is a condition subsequent under the Revolving Credit Facility.

Covenants

The Revolving Credit Facility Agreement contains customary positive and negative covenants (including information undertakings and restrictive covenants that will largely replicate those

contained in the Indentures together with a restriction on which members of the Group can incur certain indebtedness), subject to certain agreed exceptions.

One of these covenants requires the group to observe a coverage test in relation to the Guarantors. Pursuant to this test, the Issuer has to ensure that the aggregate of Consolidated EBITDA (as defined in the Revolving Credit Facility Agreement) of the Guarantors, taking each wholly-owned entity on an unconsolidated basis and excluding all intra-group items and investments in subsidiaries of any member of the group) of the Guarantors represents 80 per cent. or more of the Consolidated EBITDA of the group, by reference to most recent annual audited consolidated financial statements delivered to the RCF Agent.

The Revolving Credit Facility Agreement also requires the group to observe a Consolidated Net Leverage Ratio (as defined in the Revolving Credit Facility Agreement) covenant. In this respect, the group's financial and operating performance is monitored by a financial covenant, which requires us to ensure that Consolidated Net Leverage Ratio (as defined in the Revolving Credit Facility Agreement) for each relevant period shall not be greater than 5.70:1. This financial covenant will be tested quarterly on a rolling 12-month basis if the aggregate outstanding amount of all utilizations under the Revolving Credit Facility as of the last day of any relevant period (including letters of credit but excluding certain customary non-cash utilizations) exceeds 35 per cent. of the total commitments at that time.

In addition, the Revolving Credit Facility Agreement requires the provision of customary financial and other information to the Revolving Lenders and customary equity cure provisions.

Events of Default

The Revolving Credit Facility Agreement contains customary events of default (subject in certain cases to agreed grace periods, thresholds and other qualifications), including a cross-default with respect to an event of default under, and as defined in, the Indenture, the occurrence of which would in each case allow the Revolving Lenders to accelerate all or part of the outstanding utilizations and/or terminate their commitments and/or declare all or part of their utilizations payable on demand and/or declare that cash cover in respect of ancillary facilities and outstanding letters of credit is immediately due and payable or is payable on demand and/or instruct the Security Agent to enforce the Collateral.

Governing Law

The Revolving Credit Facility Agreement is governed by English law although certain information undertakings, restrictive covenants and certain events of default, which are included in schedules to the Revolving Credit Facility Agreement and largely replicate those contained in the Indenture, are interpreted in accordance with New York law (without prejudice to the fact that the Revolving Credit Facility Agreement is governed by English law).

Intercreditor Agreement

To establish the relative rights of the Senior Secured Creditors (as defined below), the Issuer and the Guarantors in respect of the Notes and any obligor in respect of the Revolving Credit Facility, the Intra-Group Lenders (as defined below) and the Shareholder Creditors (as defined below) will enter into an intercreditor agreement dated on or about the Issue Date. By accepting a Note, the holder thereof shall be deemed to have agreed to, and accepted the terms and conditions of, the Intercreditor Agreement.

The following description is a summary of certain provisions, among others, that are contained in the Intercreditor Agreement and which relate to the rights and obligations of the holders of the Notes. It does not restate the Intercreditor Agreement in its entirety. As such, you are urged to read the Intercreditor Agreement because it, and not the description that follows, defines certain rights of the holders of the Notes. Unless expressly stated otherwise in the Intercreditor Agreement, in the event of a conflict between the terms of the Revolving Credit Facility, the

Indenture and the Intercreditor Agreement, the provisions of the Intercreditor Agreement will prevail. Defined terms not defined herein shall have the meanings ascribed to them in the Intercreditor Agreement, and as a general matter the following terms have the following meanings:

"**Financial Advisor**" means an internationally recognized investment bank or accountancy firm or, if it is not practicable for the Security Agent to appoint any such bank or firm on commercially reasonable terms (including for reasons of conflicts of interest) as determined by the Security Agent (acting in good faith), another third party professional firm which is regularly engaged in providing valuations in respect of the relevant type of assets and with experience in restructuring and enforcement (in each case not being the firm appointed as any debtor's or a Holdco's administrator or other relevant officer holder) selected by the Security Agent.

"**Holdcos**" means, together, each Third Party Chargor and each Senior Subordinated Debt Issuer.

"**Majority Senior Secured Creditors**" means the Senior Secured Notes/Pari Passu Required Holders.

"**Majority Senior Subordinated Debt Creditors**" means at any time the Senior Subordinated Debt Creditors (as defined below) who, at that time, aggregate more than 50% by value of the Senior Subordinated Debt Creditors at that time.

"**Pari Passu Debt Creditor**" means a creditor of any Pari Passu Liabilities and their respective creditor representative.

"**Pari Passu Debt Document**" means a document or instrument entered into between any members of the Group or a Third Party Chargor and a Pari Passu Debt Creditor setting out the terms of any loan, credit or guarantee facility, notes, indenture or security which creates or evidences any Pari Passu Liabilities.

"**Senior Secured Debt Documents**" means the finance documents under the Revolving Credit Facility, the other Credit Facility Documents (as defined below), the Hedging Agreements (as defined below), the Senior Secured Notes Documents (as defined below) and the Pari Passu Debt Documents.

"**Senior Secured Debt Event of Default**" means an event or circumstance specified as an event of default under any of the Senior Secured Debt Documents.

"**Senior Secured Notes/Pari Passu Required Holders**" means, at any time, those Senior Secured Creditors (as defined below) who, at that time, aggregate more than 50% by value of the Senior Secured Creditors at that time.

"**Senior Subordinated Debt**" means the liabilities which are issued or borrowed by the Senior Subordinated Debt Issuer (as defined below) in respect of any loan, credit or guarantee facility, notes, indenture or security which are permitted to be incurred under the terms of the Senior Secured Debt Documents and comply with the agreed major terms and which are notified to the Security Agent by the Issuer in writing as indebtedness to be treated as "Senior Subordinated Debt" provided that the Senior Subordinated Debt Creditors (as defined below) (or a trustee on their behalf) have acceded to the Intercreditor Agreement in accordance with the terms of the Intercreditor Agreement, together with any related additional liabilities.

"**Senior Subordinated Debt Issuer**" means any holding company of the Issuer (or a finance subsidiary of such holding company) which is not a member of the Group, a restricted subsidiary or a sponsor affiliate which has acceded to the Intercreditor Agreement in its capacity as a Senior Subordinated Debt Issuer in accordance with the terms of the Intercreditor Agreement.

"**Senior Subordinated Debt Issuer Liabilities**" means the Shareholder Liabilities owed (directly or indirectly) to the Senior Subordinated Debt Issuer by the Parent or any other member of the Group (including but not limited to those owed by the Parent to the Senior Subordinated Debt Issuer under or in connection with any proceeds loan and declared dividends to the Senior Subordinated Debt Issuer).

"**Senior Subordinated Debt Required Holders**" means in respect of any direction, approval, consent or waiver, the Senior Subordinated Debt Creditors of the principal amount of Senior

Subordinated Debt required to vote in favour of such direction, consent or waiver under the terms of the relevant Senior Subordinated Debt Documents or, if the required amount is not specified, the holders holding at least the majority of the principal amount of the then outstanding Senior Subordinated Debt, in accordance with the relevant Senior Subordinated Debt Documents. For the avoidance of doubt, in determining whether the Senior Subordinated Debt Creditors of the required principal amount of Senior Subordinated Debt have concurred in any direction, waiver or consent, Senior Subordinated Debt owned by a Senior Subordinated Debt Issuer or any Debtor, or by any person directly or indirectly controlling or controlled by or under direct or indirect common control with a Senior Subordinated Debt Issuer or any Debtor, will be considered as though not outstanding.

"**Shared Charged Property**" means all of the assets which from time to time are, or are expressed to be, the subject of the Shared Security.

"**Shared Security**" means:

(a) in the case of Senior Subordinated Debt which is not secured by any assets owned by a member of the Group, the security (if any) granted in favour of the Security Agent under the Transaction Security Documents over shares of any class, loans, bonds or other equity or debt instruments issued by the Issuer and over any Senior Subordinated Debt Issuer Liabilities (as defined below) owed by the Parent; or

(b) in the case of Senior Subordinated Debt which is secured by assets owned by a member of the Group, the security granted in favour of the Security Agent under the Transaction Security Documents on a junior basis as described below under "*—Transaction Security*".

"**Third Party Chargor**" means: (a) the Initial Investor and (b) any each entity that has provided Transaction Security over any or all of its assets in respect of the obligations of any of the Debtors under any of the Secured Debt Documents but is not a Debtor in respect of any of the liabilities under the Debt Documents and which has acceded to the Intercreditor Agreement as a Third Party Chargor

Overview

The Intercreditor Agreement will set out, among other things:

- the relative ranking of certain debt of the Issuer and certain of its subsidiaries with regard to the liabilities of the Group in respect of (i) the Revolving Credit Facility and the other Credit Facility Liabilities (as defined below), (ii) the Senior Secured Notes Liabilities (as defined below), (iii) the Senior Subordinated Debt Guarantee Liabilities (as defined below), (iv) the Pari Passu Liabilities (as defined below), (v) certain liabilities and obligations incurred under or in connection with any interest rate and exchange rate hedging agreements (each a "**Hedging Agreement**"), together with any related additional liabilities (together, the "**Hedging Liabilities**") and (vi) certain intra-group indebtedness (the "**Intra-Group Liabilities**") under the intra-group debt documents (the "**Intra-Group Debt Documents**") and certain liabilities (the "**Shareholder Liabilities**") owed by any member of the Group or any unrestricted subsidiary to certain direct and indirect shareholders of the Issuer (each a "**Shareholder Creditor**") under the shareholder debt documents (the "**Shareholder Debt Documents**") (the Intra-Group Liabilities and the Shareholder Liabilities together, the "**Subordinated Liabilities**");
- when payments can be made in respect of certain indebtedness of the Group, including the Revolving Credit Facility, the Notes, the Senior Subordinated Debt, the Intra- Group Liabilities and the Shareholder Liabilities;
- when enforcement action ("**Enforcement Action**") can be taken in respect of the Transaction Security (as defined below) by (i) the lenders under the Revolving Credit Facility, the creditors of the other Credit Facility Liabilities and the counterparties to certain Hedging Liabilities subject to a cap of € 10 million (such liabilities, "**Super Senior Hedging Liabilities**") and their respective creditor representatives (together, the "**Super Senior Creditors**") and (ii) the holders of the Notes (the "**Senior Secured Noteholders**"),

the Trustee, each counterparty to the Hedging Liabilities that are not Super Senior Hedging Liabilities (such liabilities, "**Senior Secured Hedging Liabilities**") and the Pari Passu Debt Creditors (together, the "**Senior Secured Creditors**");

- the requirement for the Super Senior Creditors and the Senior Secured Creditors to turnover amounts received from enforcement of the Transaction Security, among other things;
- when the Transaction Security and the Guarantees will be released to permit an enforcement sale; and
- the terms pursuant to which any future Senior Subordinated Debt will be subordinated including, but not limited to, indebtedness owing to the Senior Secured Creditors.

The Intercreditor Agreement will also contain provisions related to future additional indebtedness permitted to be incurred by members of the Group under the terms of each of the Revolving Credit Facility Agreement, the Intercreditor Agreement, the documents creating the Transaction Security (the "**Transaction Security Documents**") and the Indenture (including any senior secured notes issued after the Issue Date pursuant to the Indenture). Such future additional indebtedness may also be secured by the Transaction Security. Such indebtedness may either, with respect to enforcement of Transaction Security (and the proceeds thereof): (i) have equivalent rights to the Senior Secured Noteholders under the Intercreditor Agreement, in which case it will vote in, and share in the proceeds of enforcement with, the same class of creditors as the Senior Secured Noteholders (the "**Pari Passu Liabilities**"); or (ii) rank senior to the Senior Secured Notes Liabilities (as defined below), in which case it will vote in, and share in the proceeds of enforcement with, the same class of creditors as the lenders under the Revolving Credit Facility.

Ranking and Priority

The Intercreditor Agreement will provide that (i) the liabilities owed by the debtors under or in connection with the Revolving Credit Facility Agreement and any other indebtedness which ranks senior to the Senior Secured Notes Liabilities with respect to the proceeds of any enforcement of Transaction Security (a "**Credit Facility**") (excluding any Hedging Liabilities, the "**Credit Facility Liabilities**"), (ii) the Super Senior Hedging Liabilities (together, with the Credit Facility Liabilities, the "**Super Senior Liabilities**"), (iii) the liabilities (the "**Senior Secured Notes Liabilities**") owed by the Issuer and the debtors under the Intercreditor Agreement to the Senior Secured Noteholders and the Trustee (together, the "**Senior Secured Notes Creditors**") under each of the Indenture, the Notes, the Intercreditor Agreement, the Guarantees, the Transaction Security Documents and any other document designated as such by the Issuer and the Trustee (together, the "**Senior Secured Notes Documents**"), (iv) the Senior Secured Hedging Liabilities, (v) the Pari Passu Liabilities (if any) (together, with the Senior Secured Notes Liabilities and the Senior Secured Hedging Liabilities, the "**Senior Secured Liabilities**", (vi) the liabilities of a member of the Group that is a guarantor or provides an indemnity to the Senior Subordinated Debt Creditors (as defined below) for the Senior Subordinated Debt Liabilities (as defined below) (a "**Senior Subordinated Debt Guarantor**") owed to any Senior Subordinated Debt Creditor under or in connection with the Senior Subordinated Debt Documents (as defined below) (the "**Senior Subordinated Debt Guarantee Liabilities**") and (vii) the Subordinated Liabilities, will rank in the following order:

- *first*, the Super Senior Liabilities and the Senior Secured Liabilities *pari passu* and without any preference between them;
- *second*, the Senior Subordinated Debt Guarantee Liabilities *pari passu* between themselves and without any preference between them;
- *third*, the Senior Subordinated Debt Issuer Liabilities; and
- *fourth,* the Subordinated Liabilities (excluding the Senior Subordinated Debt Issuer Liabilities).

Transaction Security

Subject to certain agreed security principles and/or to the extent legally possible (as the case may be), the lenders under the Revolving Credit Facility, the creditors of the other Credit Facility Liabilities, the counterparties to Hedging Liabilities (each a "**Hedge Counterparty**"), the Senior Secured Noteholders, the Pari Passu Debt Creditors and, to the extent only of any Shared Security, the Senior Subordinated Debt Creditors may take, accept or receive the benefit of security interests over certain assets and property of any member of the Group (including a security interest over the shares of the Issuer) (together, the "**Transaction Security**").

The Intercreditor Agreement will provide that the Transaction Security created pursuant to the Transaction Security Documents shall rank and secure the following liabilities in the following order, *first*, the Super Senior Liabilities, the Senior Secured Notes Liabilities, the Hedging Liabilities (to the extent not already included in the Super Senior Liabilities) and the Pari Passu Liabilities *pari passu* and without any preference between them (in each case, only to the extent such Transaction Security is expressed to secure those liabilities) and *second*, to the extent only of any Shared Security, the Senior Subordinated Debt Liabilities *pari passu* and without any preference amongst them (but only to the extent that such Transaction Security is expressed to secure those liabilities).

Unless there is a legal restriction on doing so, the Security Agent shall hold the Transaction Security for the benefit of the lenders under the Revolving Credit Facility, the Arrangers, the Hedge Counterparties, the Pari Passu Debt Creditors, the Senior Secured Noteholders and, to the extent only of any Shared Security, the Senior Subordinated Debt Creditors.

The proceeds from the enforcement of the Transaction Security are to be applied as described below under "*—Enforcement of Transaction Security—Waterfall*".

Restrictions on Payments; Subordination

The Intercreditor Agreement will provide that payments may be made in respect of the Revolving Credit Facility and the Notes in accordance with the terms of the Revolving Credit Facility Agreement and the Senior Secured Notes Documents respectively.

Senior Subordinated Debt Liabilities

Prior to the discharge of all Senior Secured Liabilities and all Super Senior Liabilities, the Issuer shall not (and the Issuer shall ensure that no member of the Group will) may make payments in respect of the liabilities (the "**Senior Subordinated Debt Liabilities**") owed by the Senior Subordinated Debt Issuer and the debtors under the Intercreditor Agreement to the creditors of the Senior Subordinated Debt and each of their respective creditor representative(s) (the "**Senior Subordinated Debt Representative(s)**") (together, the "**Senior Subordinated Debt Creditors**") under each document or instrument entered into between any Senior Subordinated Debt Issuer and/or any member of the Group and a Senior Subordinated Debt Creditor setting out the terms of any loan, credit or guarantee facility, notes, indenture, guarantee or security which creates or evidences any Senior Subordinated Debt (together, the "**Senior Subordinated Debt Documents**") without the consent of (prior to the later of the Credit Facility Discharge Date and Hedging Discharge Date) the Majority Super Senior Debt Creditors and (prior to the later of the Senior Secured Notes Discharge Date and the Pari Passu Debt Discharge Date) the Majority Senior Secured Creditors, except for the following:

if:

(1) (a) the payment is:

(i) any of the principal or interest (including capitalized interest) amount of the Senior Subordinated Debt Liabilities which is either (1) not prohibited from being paid by any Senior Secured Debt Document or (2) is paid on or after the final maturity of the Senior Subordinated Debt Liabilities; or

(ii) any other amount which is not an amount of principal or capitalized interest in accordance with the terms of the Senior Subordinated Debt Documents;

or, in each case, a corresponding amount made by the Issuer of Shareholder Liabilities owed (directly or indirectly) to the Senior Subordinated Debt Issuer by the Issuer or any other member of the Group ("**Senior Subordinated Debt Issuer Liabilities**"); and

(b) no notice delivered pursuant to the terms of the Intercreditor Agreement blocking payments in respect of the Senior Subordinated Debt Liabilities (a "**Payment Blockage Notice**") is outstanding; and

(c) no payment default under the Revolving Credit Facility or any other Credit Facility Document and no payment default of € 100,000 or more in respect of the Senior Secured Liabilities or Pari Passu Liabilities has occurred and is continuing (a "**Senior Payment Default**"); or

(2) if the Majority Super Senior Creditors and the Majority Senior Secured Creditors give prior consent to that Payment being made; or

(3) payments made after a Payment Blockage Notice has ceased to be outstanding of amounts that had accrued but remain unpaid whilst that Payment Blockage Notice was outstanding; or

(4) certain amounts due to the Senior Subordinated Debt Representative for its own account; or

(5) properly incurred costs, commissions, taxes, consent fees and expenses incurred in respect of (or reasonably incidental to) the Senior Subordinated Debt Documents (including in relation to any reporting or listing requirements under the Senior Subordinated Debt Documents); or

(6) costs, commissions, taxes, premiums and any expenses incurred in respect of (or reasonably incidental to) any refinancing of the Senior Subordinated Debt in compliance with the Intercreditor Agreement, the Revolving Credit Facility or Credit Facility documents, the Indenture and any Pari Passu Debt Document; or

(7) the payment is funded directly or indirectly with Senior Subordinated Debt; or

(8) it is any other amount not exceeding €1,000,000 (or its equivalent) over the life of the Senior Subordinated Debt.

For the avoidance of doubt, a Senior Subordinated Debt Issuer may make any payments in respect of the Senior Subordinated Debt Liabilities at any time in accordance with the terms of the Senior Subordinated Debt Documents in its capacity as a borrower or issuer thereunder.

Prior to the discharge of all Senior Secured Liabilities and all Super Senior Liabilities, if a Senior Secured Debt Payment Default (as defined in the Intercreditor Agreement) has occurred and is continuing or a Senior Secured Debt Event of Default (as defined in the Intercreditor Agreement) (other than a Senior Secured Debt Payment Default (as defined in the Intercreditor Agreement)) has occurred and is continuing and the Senior Subordinated Debt Representative has been delivered a Payment Blockage Notice from either the Issuer, the Security Agent and the Credit Facility Agent or the Trustee or the representative of the future Pari Passu Liabilities representing future Pari Passu Liabilities (as the case may be) (the "**Relevant Representative**") within 60 days of the date such Relevant Representative receives notice in writing of the occurrence of such Senior Secured Debt Event of Default and specifying the relevant Senior Secured Debt Event of Default, all payments in respect of the Senior Subordinated Debt Liabilities (other than those consented to by the Majority Super Senior Creditors and Majority Senior Secured Creditors and

other than in respect of certain amounts due to the Senior Subordinated Debt Representative for its own account) are suspended until the earliest of:

(i) the date on which a Senior Subordinated Debt Default (as defined in the Intercreditor Agreement) occurs for failure to pay principal at the original scheduled maturity of the Senior Subordinated Debt;

(ii) the date falling 179 days after delivery of the Payment Blockage Notice;

(iii) if a Standstill Period (as defined below) is in effect at any time after delivery of a Payment Blockage Notice, the date on which the Standstill Period expires;

(iv) the date on which the relevant event of default is no longer continuing and if the relevant Senior Secured Liabilities and/or Super Senior Liabilities (as applicable) have been accelerated, such acceleration has been rescinded

(v) the date on which the Relevant Representative which issued the Payment Blockage Notice (and, if at such time Senior Secured Debt Event of Default is continuing (other than in relation to the debt in respect of which the notice was given), the Relevant Representative(s) in respect of that other debt) notify/ies the Senior Subordinated Debt Representative, the Issuer and the Security Agent that the Payment Blockage Notice is cancelled;

(vi) the repayment and discharge of all obligations in respect of the Senior Secured Liabilities and all Super Senior Liabilities; or

(vii) the date on which the Security Agent or Senior Subordinated Debt Representative takes any Enforcement Action against a member of the Group which it is permitted to take in accordance with the Intercreditor Agreement.

No Payment Blockage Notice may be served by a Relevant Representative unless 360 days have elapsed since the immediately prior Payment Blockage Notice. No Payment Blockage Notice may be served in respect of a Senior Secured Debt Event of Default more than 60 days after the date that the Relevant Representative received notice of that Senior Secured Debt Event of Default.

If a Payment Blockage Notice ceases to be outstanding or the relevant Senior Secured Debt Event of Default or Senior Payment Default has ceased to be continuing (by being waived by the relevant creditors/ creditor's representative or remedied) the relevant debtor may then make those payments it would have otherwise been entitled to pay under the Senior Subordinated Notes and if it does so promptly any event of default under the Senior Subordinated Debt caused by such delayed payment shall be waived and any notice commencing a Standstill Period which may have been issued as a result of such non-payment shall be waived. A Senior Payment Default is remedied by the payment of all amounts then due.

Restrictions on Enforcement by the Senior Subordinated Debt Creditor; Senior Subordinated Debt Standstill

Prior to the discharge of all Senior Secured Liabilities and all Super Senior Liabilities, no Senior Subordinated Debt Creditor may take any Enforcement Action in relation to the Senior Subordinated Debt Guarantee Liabilities or against a Third Party Chargor without the prior consent of or as required by (prior to the later of the Credit Facility Discharge Date and the Hedging Discharge Date) the Majority Super Senior Debt Creditors and (prior to the later of the Senior Secured Notes Discharge Date and the Pari Passu Debt Discharge Date) the Majority Senior Secured Creditors, except:

(a) if:

(i) an event of default under the Senior Subordinated Debt Documents is continuing;

(ii) the Credit Facility Agent and the other representatives of the Senior Secured Liabilities have received notice of the specified event of default from the Senior Subordinated Debt Representative;

(iii) a Standstill Period (as defined below) has expired; and

(iv) the relevant event of default is continuing at the end of the Standstill Period,

provided that no such Enforcement Action may be taken if the Security Agent is taking Enforcement Action or acting in accordance with the instructions of the Instructing Group to take steps for Enforcement and such action might reasonably likely adversely affect such Enforcement Action or enforcement by the Security Agent; and/or

(b) (only to the extent not restricted by the proviso below) against a Senior Subordinated Debt Issuer in its capacity as borrower or issuer of Senior Subordinated Debt, provided that no Senior Subordinated Debt Creditor shall direct the Security Agent to enforce or otherwise (to the extent applicable) require the enforcement of any Transaction Security Document, except as permitted under paragraph (a) above).

A "**Standstill Period**" shall mean the period starting on the date that the Senior Subordinated Debt Representative serves an enforcement notice on the Credit Facility Agent, the Senior Secured Notes Trustee and the representative of any future Pari Passu Liabilities until the earliest of:

(a) the date falling 179 days after such date;

(b) the date on which the Security Agent takes any Enforcement Action in relation to a Senior Subordinated Debt Guarantor or Third Party Chargor provided however that if a Standstill Period ends pursuant to this paragraph (b), the Senior Subordinated Debt Creditors may only take the same Enforcement Action in relation to the same entity as the Enforcement Action taken by the Security Agent and may not take any other Enforcement Action against any other member of the Group or any Holdco and Enforcement Action for the purpose of this paragraph (b) shall not include action taken to preserve or protect any Security as opposed to realize it;

(c) the date on which an insolvency event occurs in respect of a Senior Subordinated Debt Guarantor (other than an insolvency event precipitated directly or indirectly by a Senior Subordinated Debt Creditor) against whom Enforcement Action is to be taken provided that the Senior Subordinated Debt Creditors may only take Enforcement Action against that particular Senior Subordinated Debt Guarantor and not against any other member of the Group; and

(d) the expiration of any other Standstill Period which was outstanding at the date that the current Standstill Period commenced (other than as a result of a cure, waiver or permitted remedy thereof).

Intra-Group Liabilities

The Intercreditor Agreement will permit payments from time to time when due in respect of Intra-Group Liabilities ("**Intra-Group Liabilities Payments**") if:

(a) at the time of payment, the indebtedness due in respect of the Revolving Credit Facility and the other Credit Facility Liabilities, the Notes, any Pari Passu Liabilities and Senior Subordinated Debt Liabilities have not been accelerated (if accelerated, each, an "**Acceleration Event**"); or

(b) if an Acceleration Event has occurred and is continuing:

(i) prior to the date on which all Super Senior Liabilities are discharged (the "**Super Senior Debt Discharge Date**"), the relevant Instructing Group (as defined below) has consented to the payment being made; or

(ii) on or after the Super Senior Debt Discharge Date but prior to the date on which all Senior Secured Liabilities are discharged (the "**Senior Secured Debt Discharge Date**"), the Majority Senior Secured Creditors consent to the payment being made; or

(iii) on or after the later of the Super Senior Debt Discharge Date and the Senior Secured Discharge Date but prior to the Senior Subordinated Discharge Date, the Majority Senior Subordinated Debt Creditors consent to the payment being made; or

(iv) to the extent such payment is made to facilitate payment of the Super Senior Liabilities and/or the Senior Secured Liabilities; or

(v) to the extent such payment is made to facilitate payment of the Senior Subordinated Debt Liabilities that are permitted to be paid under the terms of the Intercreditor Agreement.

Shareholder Liabilities

The Intercreditor Agreement will permit payments to be made on Shareholder Liabilities from time to time when due if:

(a) the payment is not prohibited by the Revolving Credit Facility Agreement and the other Credit Facility Documents (as defined below), the Senior Secured Notes Documents or the Pari Passu Debt Documents; or

(b) in respect of Senior Subordinated Debt Issuer Liabilities, the payment is equal to the amount of (and applied towards) a payment in respect of Senior Subordinated Debt Liabilities which is then due by a Senior Subordinated Debt Issuer, which is a payment referred to and which is permitted by the restrictions on payments described in "—Senior Subordinated Debt Liabilities" above to be made at the time; or

(c) prior to the Super Senior Debt Discharge Date, the Instructing Group gives written consent to such payment being made; or

(d) on or after the Super Senior Debt Discharge Date but prior to the Senior Secured Debt Discharge Date, the Majority Senior Secured Creditors give written consent to such payment being made; or

(e) on or after the Senior Secured Debt Discharge Date but prior to the Senior Subordinated Debt Discharge Date, the Majority Senior Subordinated Debt Creditors give written consent to the payment being made.

No release or discharge of any Shareholder Liabilities of a member of the Group in consideration for the issue of shares in that member of the Group shall be restricted by the above prior to an Acceleration Event.

Enforcement of Transaction Security

The Security Agent may refrain from enforcing the Transaction Security or taking any other enforcement action unless otherwise instructed by:

(a) the Instructing Group (as further described in "—Super Senior Creditors and Senior Secured Creditors" and "—Super Senior Creditors and Senior Secured Creditors—Enforcement decisions" below); or

(b) in certain circumstances in respect of the enforcement of the Shared Security, the Senior Subordinated Debt Representative(s) (acting on the instructions of the Senior Subordinated Debt Required Holders).

Super Senior Creditors and Senior Secured Creditors

Prior to the discharge of all Senior Secured Liabilities and all Super Senior Liabilities, the Security Agent may refrain from enforcing the Transaction Security unless otherwise instructed by:

(a) the lenders under the Revolving Credit Facility Agreement and the creditors of any other Credit Facility Liabilities under any credit facility document (the "**Credit Facility Documents**") (together, the "**Credit Facility Creditors**"), the aggregate of whose unpaid amounts and undrawn commitments under the Credit Facility Documents, and the Hedge Counterparties, the aggregate of whose Super Senior Hedging Liabilities, together, exceed 66 2/3% of the aggregate of all unpaid and undrawn commitments under the Credit Facility Documents and the termination value of all Super Senior Hedging Liabilities (the "**Majority Super Senior Creditors**"); and

(b) the Senior Secured Notes/Pari Passu Required Holders (together with the Majority Super Senior Creditors, the "**Instructing Group**"),

in each case, acting in accordance with the terms of the Intercreditor Agreement.

On or after the discharge of all Senior Secured Liabilities and all Super Senior Liabilities, the Security Agent will only act on the instructions of the Senior Subordinated Debt Required Holders.

Enforcement decisions

(a) If either of the Majority Super Senior Creditors or the Senior Secured Notes/Pari Passu Required Holders wish to instruct the Security Agent to commence enforcement of any Transaction Security, such group of creditors shall deliver a copy of the proposed instructions as to enforcement (the "**Proposed Enforcement Instructions**") to the Security Agent and the creditor representative for each of the Super Senior Creditors, the Trustee, the Hedge Counterparties and each Pari Passu Debt Representative (as appropriate). The Security Agent shall promptly notify each of the creditor representatives of the Super Senior Creditors, the Trustee and each of the Pari Passu Debt Representatives and the Hedge Counterparties upon receipt of such Proposed Enforcement Instructions.

(b) Prior to the Super Senior Debt Discharge Date and subject to paragraphs (c), (d) and (e) below, if the Security Agent has received any Proposed Enforcement Instructions, it shall either enforce or refrain from enforcing the Transaction Security in accordance with the instructions of the Senior Secured Notes/Pari Passu Required Holders (and the Senior Secured Notes/Pari Passu Required Holders shall be the Instructing Group for the purposes of enforcing Transaction Security) provided that such instructions are consistent with the Security Enforcement Principles (as defined below) and failure to give instructions will be deemed to be an instruction not to take enforcement steps.

(c) In the event that:

(i) from the date that is three months after the date upon which the first Proposed Enforcement Instructions (including such instructions not to take enforcement steps) are delivered, the Security Agent (acting on the instructions of the Senior Secured Notes/Pari Passu Required Holders) has not taken any enforcement action as to enforcement of the Transaction Security; or

(ii) the Super Senior Liabilities have not been fully discharged in cash within six (6) months of the date upon which the first such Proposed Enforcement Instructions (including any such instructions not to take enforcement steps) are delivered,

then (with effect from the date of the earlier to occur of such events), the Majority Super Senior Creditors shall become the Instructing Group for the purposes of enforcing Transaction Security.

(d) If at any time the Security Agent has not taken any relevant enforcement action notwithstanding the Transaction Security having become enforceable in accordance with its terms, the Majority Super Senior Creditors or the Senior Secured Notes/Pari Passu Required Holders, as the case may be, may at any time provide immediate instructions as to enforcement to the Security Agent notwithstanding any instructions given pursuant to paragraph (b) or (c) above, if the Majority Super Senior Creditors or the Senior Secured Notes/Pari Passu Required Holders determine in good faith (and notify the creditor representatives of the other Super Senior Creditors, the Senior Secured Notes Creditors, the Pari Passu Debt Creditors, the Security Agent and the Hedge Counterparties) the delay in taking enforcement action of the Transaction Security could reasonably be expected to have a material adverse effect on:

(i) the Security Agent's ability to enforce the Transaction Security; or

(ii) the realisation proceeds of any enforcement of the Transaction Security,

and the Security Agent shall act only with respect to the relevant asset or debtor or Holdco that is the subject of the determination set out in paragraphs (d)(i) or (d)(ii) above, in accordance with the first such notice of determination and instructions as to enforcement received by the Security Agent (provided in each case that such instructions are consistent with the Security Enforcement Principles).

(e) If at any time an insolvency event has occurred with respect to any debtor or Third Party Chargor (other than an insolvency event which is the direct result of any action taken by the Security Agent acting on the instructions of the Majority Super Senior Creditors or the Senior Secured Notes/Pari Passu Required Holders), the Security Agent shall act, to the extent the Majority Super Senior Creditors have provided such instructions, in accordance with the instructions received from such Majority Super Senior Creditors, provided that in the event the Security Agent has previously received Proposed Enforcement Instructions from the Senior Secured Notes/Pari Passu Required Holders and has commenced relevant enforcement action pursuant to such instructions, the Security Agent shall continue to act in accordance with the instructions of the Senior Secured Notes/Pari Passu Required Holders until such time as the Majority Super Senior Creditors issue enforcement instructions to the Security Agent and such instructions shall override and supersede any such prior instructions given by the Senior Secured Notes/Pari Passu Required Holders.

(f) Other than where paragraph (d) or (e) above applies, if, prior to the Super Senior Debt Discharge Date, the Majority Super Senior Creditors or the Senior Secured Notes/Pari Passu Required Holders (in each case acting reasonably) consider that the Security Agent is enforcing the Transaction Security in a manner which is not consistent with the Security Enforcement Principles, the creditor representative for the Super Senior Creditors, the Hedge Counterparties, the Pari Passu Debt Representatives or the Trustee shall give notice to the agents for the other Super Senior Creditors, the Hedge Counterparties, the Pari Passu Debt Representatives and the Trustee (as appropriate) after which the creditor representative for the other Super Senior Creditors, the Hedge Counterparties, the Pari Passu Debt Representatives and the Trustee shall consult with the Security Agent for a period of 15 days (or such lesser period as the relevant creditor representatives and the Hedge Counterparties may agree) with a view to agreeing the manner of Enforcement provided that such creditor representative and Hedge Counterparties shall not be obliged to consult under this paragraph (f) more than once in relation to each enforcement action.

(g) After the Super Senior Debt Discharge Date but prior to the Senior Secured Debt Discharge Date, the Security Agent shall either enforce or refrain from enforcing the Transaction Security in accordance with the instructions provided by the Senior Secured Notes/Pari Passu Required Holders.

(h) After the Senior Secured Debt Discharge Date but prior to the Senior Subordinated Debt Discharge Date, the Security Agent shall either enforce or refrain from enforcing the Transaction Security in accordance with the instructions provided by the Senior Subordinated Debt Required Holders.

Security Enforcement Principles

The Instructing Group may only give enforcement instructions that are consistent with certain security enforcement principles set out in a schedule to the Intercreditor Agreement (the "**Security Enforcement Principles**"), which include the following principles:

- it shall be the primary and overriding aim of any enforcement of the Transaction Security to achieve the security enforcement objective (being to maximize so far as is consistent with prompt and expeditious realization of value from enforcement of the Transaction Security, the recovery by the Super Senior Creditors, the Senior Secured Creditors and, to the extent only of any Shared Security, the Senior Subordinated Creditors) (the "**Security Enforcement Objective**");
- without prejudice to the Security Enforcement Objective, the Transaction Security will be enforced and other action as to enforcement will be taken such that either (a) all proceeds of enforcement are received by the Security Agent in cash (or substantially all in cash) for distribution in accordance with the terms of the Intercreditor Agreement (see "—*Waterfall*" below) or (b) with respect to such actions taken by the Majority Senior Secured Creditors, sufficient proceeds from enforcement will be received by the Security Agent in cash (or substantially all in cash) to ensure that the Super Senior Liabilities are repaid and discharged in full (unless the Majority Super Senior Creditors agree otherwise);
- the enforcement action must be prompt and expeditious, it being acknowledged that, subject to the other provisions of the Intercreditor Agreement, the time frame for the realization of value from the enforcement of the Transaction Security or distressed disposal pursuant to enforcement will be determined by the Instructing Group provided that it is consistent with the Security Enforcement Objective;
- to the extent that the Transaction Security that is the subject of the proposed enforcement action is:

  (a) over assets other than shares in a member of the Group where the aggregate book value of such assets exceeds €5.0 million (or its equivalent); or

  (b) over some or all of the shares in a member of the Group over which Transaction Security exists,

  then the Security Agent shall upon instruction from the Instructing Group and at the expense of the Instructing Group (unless such enforcement is made pursuant to a public auction or pursuant to any process supervised by a court of law where there is a determination of value by or on behalf of the court) appoint a Financial Advisor to opine as expert to the Security Agent on (i) the optimal method of enforcing the Transaction Security so as to achieve the Security Enforcement Objective and maximize the recovery of any such enforcement action, (ii) that the proceeds received from any such enforcement are fair from a financial point of view after taking into account all relevant circumstances and (iii) that such sale is otherwise in accordance with the Security Enforcement Objective ("**Financial Advisor's Opinion**"), provided that if such a Financial Advisor's Opinion is not available for reasons other than non-compliance with paragraph (i) or (iii) above, the Security Agent may proceed with such enforcement without fulfilling the requirements of this paragraph; and
- the Security Agent shall be under no obligation to appoint a Financial Advisor or to seek the advice of a Financial Advisor, unless expressly required to do so by the Intercreditor Agreement. It is understood that the liability of any Financial Advisor in respect of a Financial Advisor's Opinion may be limited to the amount of its fees in respect of such engagement.

- the Financial Advisor's Opinion (or any equivalent opinion obtained by the Security Agent in relation to any other enforcement of the Transaction Security that such action is fair from a financial point of view after taking into account all relevant circumstances) will be conclusive evidence that the Security Enforcement Objective has been met.

Waterfall

Subject to certain exceptions, all amounts from time to time received or recovered by the Security Agent in connection with the realization or enforcement of all or any part of the Transaction Security or otherwise paid to the Security Agent (as the case may be) for application pursuant to the waterfall below (including amounts from time to time received pursuant to the provisions described under "*—Turnover*", below) shall be held by the Security Agent on trust to apply them at any time as the Security Agent (in its discretion) sees fit, to the extent permitted by applicable law, in the following order of priority:

(a) *first*, pro rata and *pari passu* in or towards payment of:

(i) any sums owing to the Security Agent, any receiver or any delegate;

(ii) each Pari Passu Debt Representative in respect of any Pari Passu Liabilities issued in the form of notes, the Senior Secured Notes Trustee and the Senior Subordinated Debt Representative in respect of certain of their fees, costs and expenses (the "**Notes Trustee Amounts**"); and

(iii) to each creditor representative of the Super Senior Liabilities and the Senior Secured Liabilities and Senior Subordinated Debt Liabilities, in each case, (to the extent not included in paragraph (i) above and excluding any Hedge Counterparty as its own creditor representative) of the unpaid fees, costs and expenses and liabilities (and all interest thereon) of each such creditor representative and any receiver, attorney or agent appointed by such creditor representative under any Transaction Security Document or the Intercreditor Agreement;

(b) *second*, *pari passu* and *pro rata* in or towards payment of all costs and expenses incurred by the Super Senior Creditors and the Senior Secured Creditors in connection with any realization or enforcement of the Transaction Security taken in accordance with the terms of the Transaction Security Documents or any action taken at the request of the Security Agent;

(c) *third*, in or towards payment to each Credit Facility Agent and the Hedge Counterparties of the Super Senior Hedging Liabilities for application towards the discharge of the Credit Facility Liabilities and the Super Senior Hedging Liabilities, respectively, on a *pari passu* and *pro rata* basis;

(d) *fourth*, in or towards payment to the Trustee, each Pari Passu Debt Representative and the Hedge Counterparties of the Senior Secured Hedging Liabilities, the "**Senior Secured Hedge Counterparties**" for application towards the discharge of the Senior Secured Notes Liabilities, the Pari Passu Liabilities and the Senior Secured Hedging Liabilities, respectively, on a *pari passu* and *pro rata* basis; and

(e) *fifth*, to the extent paid out of enforcement proceeds resulting from enforcement of Shared Security, the guarantees of the Senior Subordinated Debt or proceeds from a Distressed Disposal in relation to assets which were previously Shared Charged Property in or towards payment to each Senior Subordinated Debt Representative on behalf of the Senior Subordinated Debt Creditors for application towards the discharge of the Senior Subordinated Debt Liabilities on a *pari passu* and *pro rata* basis;

(f) *sixth*, after the date on which all Senior Secured Liabilities, Super Senior Liabilities and Senior Subordinated Liabilities are discharged, in payment of the surplus (if any) to the relevant debtor or other person entitled to it.

Turnover

General

The Intercreditor Agreement, in general, provides that if a Super Senior Creditor or a Senior Secured Creditor, among others, receives or recovers or otherwise realizes the proceeds of any enforcement of Transaction Security, and in addition if any Senior Subordinated Debt Creditor receives or recovers any payment or distribution not permitted under the Intercreditor Agreement then, subject to certain exceptions (including certain prior actual knowledge qualifications in respect of the Trustee and the Senior Subordinated Debt Representative), it shall:

(a) in relation to receipts or recoveries not received or recovered by way of set-off: (i) hold that amount on trust for the Security Agent and promptly pay that amount or an amount equal to that amount to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and (ii) promptly pay an amount equal to the amount (if any) by which receipt or recovery exceeds the relevant liabilities owed to such creditor to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and

(b) in relation to receipts and recoveries received or recovered by way of set-off, promptly pay an amount equal to that recovery to the Security Agent for application in accordance with the terms of the Intercreditor Agreement.

Release of liabilities in respect of the Transaction Security, the Senior Secured Notes and the Senior Subordinated Notes

Distressed Disposals

Where an enforcement sale of an asset of a member of the Group or Holdco subject to the Transaction Security is being effected, the Intercreditor Agreement provides that the Security Agent is irrevocably authorized and without any consent, sanction, authority or further confirmation from any Creditor, debtor, Holdco or the Issuer:

- to release the Transaction Security, and/or any other claim over that asset;
- if the asset which is disposed of consists of shares in the capital of a debtor, to release: (a) that debtor and any subsidiary of that debtor from all or any part of its liabilities as a guarantor under the Debt Documents (including the Senior Secured Notes Documents and the Senior Subordinated Debt Documents) (together, the "**Guarantee Liabilities**"), its liabilities as a principal debtor under the Debt Documents (including the Senior Secured Notes Documents and the Senior Subordinated Debt Documents) (together, the "**Borrowing Liabilities**"), or other liabilities it may have to an intra-group lender or debtor (together, the "**Other Liabilities**"); (b) any Transaction Security granted by: (i) that debtor or any subsidiary of that debtor over any of its assets; and (ii) any holding company of that debtor over any shares, loans, claims or other rights in or against that debtor; and (c) any other claim of a lender of Intra-Group Liabilities (an "**Intra-Group Lender**"), a Shareholder Creditor or another debtor over that debtor's assets or over the assets of any subsidiary of that debtor; and
- if the asset which is disposed of consists of shares in the capital of any holding company of a debtor, to release (a) that holding company and any subsidiary of that holding company from all or any part of its Borrowing Liabilities, its Guarantee Liabilities and Other Liabilities; (b) any Transaction Security granted by (i) that holding company and any subsidiary of that holding company over any of its assets and (ii) any holding company of that holding company over shares, loans, claims or other rights in or against that holding company; and (c) any other claim of an Intra-Group Lender, Shareholder Creditor or another debtor over the assets of that holding company and any subsidiary of that holding company.

If, on or after the first Senior Subordinated Debt Issue Date but prior to the discharge of all Senior Secured Liabilities and all Super Senior Liabilities, a Distressed Disposal is being effected such that any guarantees in respect of the Senior Subordinated Debt or any Senior Subordinated Debt Guarantor will be released or disposed of, it is a further condition to the release that either:

(i) each Senior Subordinated Debt Representative has approved the release; or

(ii) where shares or assets of a Senior Subordinated Debt Guarantor are sold:

(A) the proceeds of such sale or disposal are in cash (or substantially in cash);

(B) all claims of the Senior Secured Creditors under Senior Secured Debt Documents against a member of the Group (if any) all or part of whose shares pledged in favour of the Senior Secured Creditors are sold or disposed of pursuant to such enforcement action, are unconditionally released and discharged or sold or disposed of concurrently with such sale (and are not assumed by the purchaser or one of its affiliates), and all Transaction Security in respect of the assets that are sold or disposed of is simultaneously and unconditionally released concurrently with such sale, provided that in the event of a sale or disposal of any such claim (instead of a release or discharge):

(1) where the Super Senior Creditors, or the Senior Secured Creditors constitute the Instructing Group, the Credit Facility Agent, Trustee and creditor representative of the Pari Passu Liabilities (as applicable):

(aa) determine acting reasonably and in good faith that the finance parties under the Revolving Credit Facility, the Senior Secured Notes Creditors and the Pari Passu Debt Creditors will recover more than if such claim was released or discharged but is nevertheless less than the outstanding Super Senior Liabilities and/or Senior Secured Liabilities; and

(bb) serve a notice on the Security Agent notifying the Security Agent of the same, in which case the Security Agent shall be entitled immediately to sell and transfer such claim to such purchaser (or an affiliate of such purchaser);

(2) where the Senior Subordinated Debt Creditors constitute the Instructing Group, the Senior Subordinated Debt Representative:

(aa) determines acting reasonably and in good faith that the finance parties under the Revolving Credit Facility, the Senior Secured Notes Creditors, the Pari Passu Debt Creditors, and Senior Subordinated Debt Creditors (respectively) will recover more than if such claim was released or discharged but is nevertheless less than the outstanding Super Senior Liabilities, Senior Secured Liabilities, and/or Senior Subordinated Debt Liabilities; and

(bb) serve a notice on the Security Agent notifying the Security Agent of the same, in which case the Security Agent shall be entitled immediately to sell and transfer such claim to such purchaser (or an affiliate of such purchaser); and

(C) such sale or disposal (including any sale or disposal of any claim) is made:

(I) pursuant to a public auction; or

(II) where a Financial Advisor selected by the Security Agent has delivered an opinion in respect of such sale or disposal that the amount received in connection therewith is fair from a financial point of view taking into account all relevant circumstances including the method of enforcement, provided that the liability of such investment bank or internationally recognized firm of accountants may be limited to the amount of its fees in respect of such engagement (it being acknowledged that the Security Agent shall have no obligation to select or engage any Financial Advisor unless it shall have been indemnified and/or secured and/or prefunded to its satisfaction).

If the Instructing Group is constituted by the Majority Senior Secured Creditors (or if the Distressed Disposal is conducted pursuant to instructions from the Majority Senior Secured Creditors) the provisions above shall not apply to any release or disposal of Super Senior Liabilities unless sufficient cash proceeds are received from the relevant Distressed Disposal and applied towards the irrevocable discharge in full of all the Super Senior Liabilities.

If the Instructing Group is constituted by the Majority Senior Subordinated Debt Creditors (or if the Distressed Disposal is conducted pursuant to instructions from the Majority Senior Subordinated Debt Creditors) the provisions above shall not apply to any release or disposal of Super Senior Liabilities or Senior Secured Liabilities unless sufficient cash proceeds are received from the relevant Distressed Disposal and applied towards the irrevocable discharge in full of all the Super Senior Liabilities and all the Senior Secured Liabilities.

Non-Distressed Disposals

The Intercreditor Agreement will also provide for the release of the Transaction Security and the Guarantees under certain circumstances including certain permitted asset disposals. Under certain circumstances it is envisaged that the Security Agent shall effect such release without requiring the consent of the relevant secured creditors (including the Senior Secured Noteholders).

Voting and Amendments

Voting in respect of the Revolving Credit Facility, the Notes and/or future Pari Passu Liabilities will be in accordance with the relevant documents. The Intercreditor Agreement may be amended or waived or any consent may be given under it with the written agreement of the Majority Super Senior Creditors, the Senior Secured Notes Required Holders, the Senior Subordinated Debt Required Holders, the Pari Passu Debt Required Holders, the Issuer and the Security Agent or, in each case, the respective creditor representative acting in accordance with the relevant Debt Document (except for amendments to cure defects or omissions, resolve ambiguities or inconsistencies or to reflect changes of a minor, technical or administrative nature, which may in each case be effected by the Security Agent and the Issuer without the consent of any other party) *provided* that to the extent an amendment, waiver or consent only affects one class of secured party, and such amendment, waiver or consent could not reasonably be expected to materially and adversely affect the interests of the other classes of secured party, only written agreement from the affected class and the Issuer shall be required.

Notwithstanding the paragraph immediately above, an amendment or waiver relating to provisions dealing with (i) the definition of Instructing Group, (ii) ranking and priority, (iii) turnover of Receipts, (iv) redistribution, (v) enforcement of Transaction Security, (vi) proceeds of disposals, (vii) application of proceeds and (viii) amendments and (ix) certain provisions relating to the instructions to and exercise of discretion by the Security Agent or the order of priority or subordination under the Intercreditor Agreement, shall not be made without the written consent of:

(a) the lenders under the Revolving Credit Facility and the other Credit Facility Documents;

(b) the Trustee;

(c) any Senior Subordinated Debt Representative (insofar as any amendment or waiver might adversely affect the rights, ranking, indemnities or protections of the Senior Subordinated Debt Representative or the Senior Subordinated Debt Creditors);

(d) in the case of any Pari Passu Liabilities constituting an issuance of debt securities, the Pari Passu Debt Representative in respect of those Pari Passu Liabilities;

(e) in the case of any Pari Passu Liabilities constituting a credit facility, the Pari Passu creditors in that tranche of Pari Passu Liabilities;

(f) each Hedge Counterparty (to the extent that the amendment or waiver would materially and adversely affect the Hedge Counterparty);

(g) the Issuer; and

(h) the Security Agent.

Bilateral Facilities

The Issuer and certain of its subsidiaries (particularly those belonging to the Naprzód Group) are parties to various uncommitted bilateral facilities and overdraft facilities agreements with local financial institutions, pursuant to which short-term working capital, export finance and general corporate purposes facilities have been obtained to finance their operations and liquidity requirements (the "**Bilateral Facilities**"). The Bilateral Facilities are unguaranteed and unsecured obligations of the Issuer and/or the relevant subsidiaries. These unsecured and uncommitted credit facilities generally relate to overdraft protection and trade credit facilities, and we utilize these lines from time to time as part of our cash management. Some of these credit facilities also provide for the ability of the relevant company to request the issuance of bank guarantees (*fideiussioni bancarie*) by the relevant financial institution in connection with our day-to-day operations. In addition, the financial institutions can generally withdraw their commitments under the Bilateral Facilities at any time. As of September 30, 2020, €8.1 million was outstanding under the Bilateral Facilities. We expect to continue to make use of Bilateral Facilities or similar facilities following the Refinancing on an opportunistic basis to fund working capital and other purposes.

Off-balance sheet bank guarantees (*fideiussioni bancarie*) and insurance bonds (*polizze fideiussorie*)

In the ordinary course of our business and, in particular, in order to be able to participate in competitive tenders, enter into contracts with customers or receive advances or payments from them during the outsourced service arrangement, we are required to provide our customers with bank guarantees (*fideiussioni bancarie*) and/or insurance bonds (including bid, advance payment, performance or guarantee bonds and *polizze fideiussorie*) for the purpose of guaranteeing our obligations under the relevant agreements. Such guarantees are generally issued by banks or insurance companies.

As of September 30, 2020, we had obtained bank guarantees and insurance policies in an aggregate outstanding amount of approximately €388.3 million.

These off-balance sheet guarantees typically provide for an annual fee equal to a percentage of the amount of the relevant guarantee outstanding. Bid bonds may be enforced as a result of us being excluded from participating in a tender procedure, including as a result of false statement declarations and/or us failing to enter into contracts awarded to us for any reasons attributable to us. Performance bonds may be enforced in case of termination of the relevant contracts by our counterparties, including as a result of us failing to perform our obligations and/or to meet or maintain the requirements set forth by the applicable laws and regulations. For information regarding the enforcement of our bid bonds pursuant to certain legal proceedings arising from the CONSIP School Contracts Litigation and the FM4 Tender Litigation and other proceedings arising therefrom, see "*Risk factors—Risks relating to our business—We are involved in ongoing litigation in respect of an antitrust matter related to the CONSIP public tender concerning the cleaning of public schools, and our business and results of operations may face further significant,*" "*—We are susceptible to claims of anti-competitive practices and we are currently involved in ongoing litigation in respect of an antitrust matter related to the CONSIP public tender for contracts to clean offices used by Italian public entities (FM4 Tender), and our business and results of operations may face further significant adverse consequences deriving therefrom*," "*Business—Legal proceedings—Pending Legal Proceedings arising from the CONSIP School Contracts Litigation*" and "*—FM4 Tender Litigation and other proceedings arising therefrom.*" In addition, we may face risks regarding the enforcement of our bid and performance bonds as a result of the Santobono-Pausilipon False Statement Registration Decision. See "*Risk factors—Risks related to our business—We may face significant consequences as a result of the ANAC*

Santobono-Pausilipon Decision." The relevant guarantees and obligations are not recorded as financial indebtedness on our balance sheet and are therefore accounted for as off-balance-sheet items. See "*Management's discussion and analysis of financial condition and results of operations—Off-balance sheet arrangements*."

Leasing

Financial leasing

We enter into financial leases primarily for plant and equipment used by our Laundering and Sterilization Segment and for motor vehicles. Our financial leases generally contain standard termination clauses. As of September 30, 2020, the amount of future rental fees deriving from such financial leases was €6.5 million. We expect that these financial leases will remain outstanding following the Refinancing.

Operating leasing

We primarily enter into real estate lease agreements, long-term rental agreements for motor vehicles and lease agreements in relation to specific equipment. As of September 30, 2020, the amount recognized on our condensed consolidated statement of financial position for operating leases was €39.8 million.

Factoring facilities

We have historically relied on sales of trade receivables pursuant to non-recourse (*pro soluto*) and recourse (*pro solvendo*) factoring agreements to manage in part our working capital requirements. We expect that, following the Refinancing, various factoring lines will remain outstanding. See "*Management's discussion and analysis of financial condition and results of operations—Liquidity and capital resources*."

Non-recourse factoring

Banca Farmafactoring Facility

On December 27, 2018, the Issuer and Servizi Ospedalieri (the "**Assignors**") entered into a three-year maturity non-recourse (*pro-soluto*) factoring facility agreement with Banca Farmafactoring S.p.A. (the "**Factor**"), pursuant to which the Assignors may sell up to €200 million (of which €115 million represent the minimum amount that the Assignor are required to sell) of certain trade receivables from entities in the National Health System and PSEs per year to the Factor (the "**Banca Farmafactoring Facility**"). Under the Banca Farmafactoring Facility, the Assignors receive a cash payment corresponding to the value of the trade receivables purchase price, which is equal to the nominal value of the trade receivables minus a discount calculated on the basis of a formula set forth in the Banca Farmafactoring Facility. Under the Banca Farmafactoring Facility, the Factor may cancel its commitment in case of, among others, ascertained and determined irregularities by the Assignors in the tenders to which the sold trade receivables refer, the breach of contractual obligations by the Assignors and/or the occurrence of certain standard events of default provided for under the Banca Farmafactoring Facility agreement. The agreement will terminate on December 31, 2021. The Banca Farmafactoring Facility is secured by a first ranking pledge over certain bank accounts held by the Assignors with the Factor. We expect that the Banca Farmafactoring Facility will remain outstanding following the Refinancing.

As of September 30, 2020, the receivables sold under our existing non-recourse factoring arrangements, including the Banca Farmafactoring Facility, and not yet collected by the relevant factors equaled €73.0 million. This amount is not treated as financial debt on our consolidated statement of financial position.

The table below sets forth the amount of trade receivables sold under our existing non-recourse factoring agreements for the nine months ended September 30, 2020, and includes the amount of trade receivables that have not yet been collected by the relevant factors as of September 30, 2020.

(thousands of €)	Trade receivables sold for the nine months ended September 30, 2020	Trade receivables that have not yet been collected as of September 30, 2020
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 amount of non-recourse sales of trade receivables	**197,900**	**73,020**

Recourse factoring

Banca Sistema Recourse Factoring Facility

On August 11, 2020, the Issuer entered into an uncommitted recourse (*pro-solvendo*) factoring facility agreement with Banca Sistema S.p.A. (the "**Factor**"), pursuant to which the Issuer may sell up to €15.0 million of trade receivables. (the "**Banca Sistema Recourse Factoring Facility**"). The agreement has no fixed maturity. Under the Banca Sistema Recourse Factoring Facility, the Issuer receives a cash payment corresponding to the value of the trade receivables purchase price, which is equal to the nominal value of the trade receivables minus a discount calculated on the basis of a formula set forth in the Banca Sistema Recourse Factoring Facility. We expect the Banca Sistema Recourse Factoring Facility will remain outstanding following the Refinancing.

As of September 30, 2020, the receivables sold under our recourse factoring arrangements and not yet collected by the factor equaled €13.2 million. This amount is treated as financial debt on our consolidated statement of financial position.

We are considering making a sale of receivables under one of our uncommitted recourse (*pro solvendo*) factoring facilities in the amount of between €10 to €15 million which could occur on or about the Issue Date.

Reverse factoring

We have reverse factoring agreements with Banca Farmafactoring S.p.A. and UniCredit Factoring S.p.A. through which our suppliers can receive collection for payables in advance of the required payment date and we can take advantage of the deferred payments.

As of September 30, 2020, the outstanding amount of reverse factoring was €2.4 million. This amount is treated as financial debt on our consolidated statement of financial position and is expected to remain outstanding after the Refinancing.

Intercompany loan agreements

On August 2, 2013, in connection with the issuance of the MFM Notes, the Issuer, as lender, entered into an intercompany loan agreement with Servizi Ospedalieri, as borrower in the aggregate maximum amount of €32.3 million. The intercompany loan agreement was amended and restated on October 13, 2017 prior to the Merger and the grant of the guarantee by Servizi Ospedalieri in respect of the CMF Existing Notes. The intercompany loan is revolving; outstanding amounts borrowed by Servizi Ospedalieri may be repaid and reborrowed and therefore the balance fluctuates according to Servizi Ospedalieri's working capital needs. This intercompany loan agreement is expected to remain outstanding following the Refinancing and the Issuer's interest in the receivables in respect thereof will form part of the Collateral securing the Notes.

On August 2, 2013, in connection with the issuance of the MFM Notes, the Issuer, as lender, entered into an intercompany loan agreement with H2H, as borrower in the aggregate maximum amount of €16.9 million. This intercompany loan agreement was amended and restated on October 13, 2017. The intercompany loan is revolving; outstanding amounts borrowed by H2H may be repaid and reborrowed and therefore the balance fluctuates according to H2H's working capital needs. This intercompany loan agreement is expected to remain outstanding following the Refinancing and the Issuer's interest in the receivables in respect thereof will form part of the Collateral securing the Notes.

As of September 30, 2020, the outstanding amount of our intercompany loan agreements was €28.0 million, entirely attributable to the intercompany loan agreement with Servizi Ospedalieri, plus accrued interest of €0.7 million.

Description of the Notes

Rekeep S.p.A. (the "**Issuer**") will issue €350.0 million in aggregate principal amount of its Senior Secured Notes due 2026 (the "**Notes**") under an indenture to be dated as of the Issue Date (the "**Indenture**"), between, inter alios, the Issuer, The Law Debenture Trust Corporation p.l.c., as trustee and common representative (*rappresentante comune*) of the holders of the Notes pursuant to articles 2417 and 2418 of the Italian Civil Code under the Indenture (the "**Trustee**"), UniCredit S.p.A., as security agent (the "**Security Agent**") under the Intercreditor Agreement (as defined below) and representative (*rappresentante*) of the holders of the Notes pursuant to and for the purposes set forth under Article 2414-*bis*, 3rd paragraph of the Italian Civil Code (the "**Security Representative**") under the Indenture, The Bank of New York Mellon, London Branch, as paying agent and transfer agent and The Bank of New York Mellon SA/NV, Luxembourg Branch as registrar, in a private transaction that is not subject to the registration requirements of the Securities Act. The Indenture will not be qualified under, incorporate by reference or include terms of, or be subject to, any of the provisions (including Section 316(b)) of the U.S. Trust Indenture Act of 1939, as amended. You will find definitions of certain capitalized terms used in this "*Description of the Notes*" under the heading *"—Certain Definitions*." For purposes of this "Description of the Notes," references to the "Issuer," "we," "our" and "us" refer only to Rekeep S.p.A. and not to any of its Subsidiaries.

This "*Description of the Notes*" is intended to be an overview of the material provisions of the Notes, the Notes Guarantee, the Indenture and the Security Documents. Since this description of the terms of the Notes is only a summary, you should refer to the Notes, the Indenture and the Security Documents for complete descriptions of the obligations of the Issuer and the Guarantor and your rights. Copies of such documents are available from us upon written request as described under "*Available Information*" in this Offering Memorandum.

The Indenture will be subject to the terms of the Intercreditor Agreement and any Additional Intercreditor Agreements (as defined below). The terms of the Intercreditor Agreement are important to understanding the relative ranking of indebtedness and security, the ability to make payments in respect of the indebtedness, procedures for undertaking enforcement action, subordination of certain indebtedness, turnover obligations, release of security and guarantees, and the payment waterfall for amounts received by the Security Agent. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*" for a description of certain terms of the Intercreditor Agreement.

The registered Holder of a Note will be treated as the owner of it for all purposes. Only registered Holders will have rights under the Indenture, including, without limitation, with respect to enforcement and the pursuit of other remedies. The Notes have not been, and will not be, registered under the Securities Act and are subject to certain transfer restrictions.

Ranking of the Notes and Security

The Notes

The Notes will:

- be general, senior obligations of the Issuer, secured as set forth under "*—Security*";
- rank *pari passu* in right of payment with any existing and future indebtedness of the Issuer that is not subordinated in right of payment to the Notes, including obligations of the Issuer under the Revolving Credit Facility and certain hedging obligations (if any);
- rank senior in right of payment to any existing and future indebtedness of the Issuer that is expressly subordinated in right of payment to the Notes;
- rank effectively senior to any existing and future indebtedness of the Issuer that is unsecured to the extent of the value of the Collateral;
- be effectively subordinated to any existing or future Indebtedness or obligation of the Issuer or of Subsidiaries of the Issuer that is secured by property or assets that do not

secure the Notes, or which secures such other indebtedness on a super senior basis, to the extent of the value of the property and assets securing such other Indebtedness or obligation;

- be, subject to the Agreed Security Principles, guaranteed on a joint and several, full and unconditional basis (subject to any limitations on such guarantee as described herein and in "*Risk Factors—Risks Related to the Notes, the Guarantees and the Security Interests—Enforcing your rights as a holder of the Notes or under the Guarantees or the Collateral across multiple jurisdictions may prove difficult*" and "*—The insolvency laws of Italy and other applicable jurisdictions may not be as favorable to you as the insolvency laws of the United States or those of another jurisdiction with which you are familiar; other limitations on the Guarantees and the Security Interests, including fraudulent conveyance statutes, may adversely affect their validity and enforceability*.") by the Guarantor on a senior secured basis on or about the Issue Date;
- be structurally subordinated to any existing or future Indebtedness or obligations of Subsidiaries of the Issuer that are not Guarantors, including obligations owed to trade creditors; and
- be represented by one or more registered Notes in global form but in certain circumstances may be represented by Definitive Registered Notes (see "*Book-Entry; Delivery and Form*").

Under the terms of the Intercreditor Agreement, and subject to applicable laws, in the event of an enforcement of the Collateral, Holders will receive proceeds from the enforcement of the Collateral only after certain obligations entitled to receive proceeds from the enforcement of the Collateral in priority to the Notes have been repaid in full, including (i) obligations under the Revolving Credit Facility, (ii) other future indebtedness incurred pursuant to the terms of the Indenture that is entitled to receive proceeds of an enforcement of the Collateral in priority to the Notes and (iii) certain Hedging Obligations. The Notes Guarantee and the Collateral will be subject to certain limitations pursuant to applicable laws as described under "*Limitations on validity and enforceability of the Notes Guarantee and security interests and certain insolvency law considerations*." See also "*Risk Factors—Risks Related to the Notes, the Notes Guarantee and the Collateral—Corporate benefit, financial assistance laws, capital maintenance and other limitations on the Notes Guarantee and the Collateral may adversely affect the validity and enforceability of the Notes Guarantee and the Collateral*," "*—The insolvency laws of Italy may not be as favorable to the holders of the Notes as U.S. insolvency laws or those of another jurisdiction with which you may be familiar; other limitations on the Notes Guarantee and the security interests in the Collateral, including fraudulent conveyance statutes, may adversely affect their validity and enforceability*," "*—The Notes Guarantee, will be significantly limited by applicable laws and are subject to certain limitations and defenses*," "*Description of certain financing arrangements—Revolving Credit Facility Agreement*" and "*Security*."

The Notes Guarantees

On the Issue Date, the Notes will be senior secured obligations of the Issuer, ranking equal in right of payment to all of the Issuer's existing and future senior indebtedness and senior to all of the Issuer's future indebtedness that is subordinated in right of payment to the Notes and will not be guaranteed by any of the Issuer's subsidiaries.

As soon as reasonably practicable and no later than 10 business days following the Issue Date, we will submit an application with the Italian Golden Power Authority pursuant to the Italian Golden Power Legislation in order for the Guarantor Collateral (as defined herein) to be granted. Unless the Italian Golden Power Authority (as defined herein) specifically opposes to the grant of the Notes Guarantee in its response to our application to receive the Italian Golden Power Clearance with respect to the Guarantor Collateral, the Notes will be guaranteed, on an unsecured basis, subject to the Agreed Security Principles (the "Notes Guarantee"), on a senior basis by Servizi Ospedalieri S.p.A., no later that 30 days following such answer from the Italian Golden Power Authority. Failure to grant the Notes Guarantee due to the Italian Golden Power Authority opposing to the grant of the Notes Guarantee will not be an event of default in the Indenture and the Notes would not be guaranteed.

Other entities may become Guarantors in the future as described below under "*—Certain Covenants—Additional Guarantees*" or otherwise.

To the extent applicable, the Notes Guarantee of each Guarantor will:

- Be a senior obligation of each Guarantor, secured as set forth under "*—Security*";
- Rank *pari passu* in right of payment with any existing and future indebtedness of such Guarantor that is not expressly subordinated in right of payment to such Notes Guarantee, including such Guarantor's Notes Guarantee of the Revolving Credit Facility and certain hedging obligations (if any);
- Rank senior in right of payment to any existing and future indebtedness of such Guarantor that is subordinated to such Notes Guarantee;
- Be effectively subordinated to any existing or future Indebtedness or obligation of such Guarantor that is secured by property or assets that do not secure such Notes Guarantee, or which secures such other indebtedness on a super senior basis (including under the Revolving Credit Facility), to the extent of the value of the property and assets securing such other Indebtedness or obligation; and
- Be structurally subordinated to any existing or future Indebtedness or obligations of Subsidiaries of such Guarantor, in each case that are not Guarantors, including obligations owed to trade creditors of such subsidiaries.

Each Notes Guarantee will be limited as necessary to reflect limitations under local law in the applicable jurisdiction and defenses generally available to Guarantors in such jurisdiction (including those relating to fraudulent conveyance, fraudulent transfer, voidable preference, unlawful financial assistance under applicable law, or otherwise to reflect, corporate purpose, corporate benefit rules, capital maintenance, "thin capitalization" rules and similar laws on the preservation of share capital, limitations of corporate law, regulations and defenses affecting the rights of creditors generally) or other limitations under applicable law. In addition, each Notes Guarantee will be further limited as required by the Agreed Security Principles, as described below under *"—The Notes Guarantees—General*." By virtue of these limitations, a Guarantor's obligation under its Notes Guarantee will be significantly less than amounts payable with respect to the Notes, or a Guarantor may have effectively no obligation under its Notes Guarantee. See "*Risk Factors—Risks Related to the Notes, the Notes Guarantee and the Collateral—Corporate benefit, financial assistance laws, capital maintenance and other limitations on the Notes Guarantee and the Collateral may adversely affect the validity and enforceability of the Notes Guarantee and the Collateral*," "*—The insolvency laws of Italy and other applicable jurisdictions may not be as favorable to you as the insolvency laws of the United States or those of another jurisdiction with which you are familiar; other limitations on the Guarantees and the Security Interests, including fraudulent conveyance statutes, may adversely affect their validity and enforceability*" and "*—The Notes Guarantee will be significantly limited by applicable laws and are subject to certain limitations and defenses*." The validity and enforceability of the Notes Guarantee and the liability of each Guarantor will be subject to the limitations described in this Offering Memorandum under the caption "*Limitations on validity and enforceability of the Notes Guarantee and security interests and certain insolvency law considerations*."

As of the Issue Date, all of the Subsidiaries of the Issuer will be "Restricted Subsidiaries" for the purposes of the Indenture. However, under the circumstances described below under "*Certain Definitions—Unrestricted Subsidiary*," we will be permitted to designate certain of our Subsidiaries as "Unrestricted Subsidiaries." Unrestricted Subsidiaries will not be subject to any of the restrictive covenants in the Indenture.

Claims of creditors of non-Guarantor Restricted Subsidiaries, including depositors, trade creditors and creditors holding claims under debt and guarantees issued by those Restricted Subsidiaries, and claims of minority stockholders and preferred stockholders of non-Guarantor Restricted Subsidiaries generally will have priority with respect to the assets and earnings of those

Restricted Subsidiaries over the claims of creditors of the Issuer and the Guarantor, including Holders. The Notes therefore will be structurally subordinated to creditors (including trade creditors), preferred stockholders (if any) and minority stockholders of Restricted Subsidiaries (other than the Guarantor).

As of September 30, 2020, *pro forma* for the Transactions, the Issuer and its consolidated subsidiaries would have had approximately €421.5 million of Gross Debt, of which €350.0 million is represented by the Notes and the Issuer and its subsidiaries would have had approximately €19.7 million of secured financial indebtedness other than the Notes (largely consisting of financial leases and recourse factoring). In addition, there would have been €75.0 million available for drawing by the Issuer under the Revolving Credit Facility. See "*Description of Certain Financing Arrangements—Revolving Credit Facility Agreement*."

Principal and Maturity

On the Issue Date, the Issuer will issue €350.0 million in aggregate principal amount of the Notes. The Notes will mature on February 1, 2026. The Notes will be issued in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

Interest

Interest on the Notes will accrue at a rate of 7.25% per annum. Interest on the Notes will:

- Accrue from the Issue Date or, if interest has already been paid, from the date it was most recently paid;
- Be payable semi-annually in arrears, on each of February 1 and August 1, beginning on August 1, 2021;
- Be payable to the Holder of record of such Notes on the Business Day immediately preceding the related interest payment date; and
- Be computed on the basis of a 360-day year comprised of twelve 30-day months.

Interest on overdue principal and interest will accrue at a rate that is 1% higher than the applicable rate of interest. In no event, however, will the rate of interest on the Notes be higher than the maximum rate permitted by applicable law.

The rights of Holders to receive payments of interest on the Notes are subject to applicable procedures of Euroclear and Clearstream. If the due date for any payment in respect of any Notes is not a Business Day at the place at which such payment is due to be paid, the Holder thereof will not be entitled to payment of the amount due until the next succeeding Business Day at such place, and will not be entitled to any further interest or other payment as a result of any such delay.

Methods of Receiving Payments on the Notes

Principal, interest and premium, if any, on the Global Notes (as defined below) will be payable at the specified office or agency of one or more Paying Agents; *provided* that all such payments with respect to the Notes represented by one or more Global Notes registered in the name of or held by a nominee of a common depositary for Euroclear and Clearstream, as applicable, will be made by wire transfer of immediately available funds to the account specified by the Holder or Holders thereof.

Principal, interest, premium and Additional Amounts, if any, on any certificated securities ("**Definitive Registered Notes**") will be payable at the specified office or agency of one or more Paying Agents maintained for such purposes in the City of London. See "*—Paying Agent and Registrar for the Notes*."

Paying Agent and Registrar for the Notes

The Issuer will maintain one or more Paying Agents for the Notes. The initial Paying Agent will be The Bank of New York Mellon, London Branch (the "**Paying Agent**").

The Issuer will also maintain a registrar (the "**Registrar**"), and a transfer agent (the "**Transfer Agent**"). The initial Registrar will be The Bank of New York Mellon SA/NV, Luxembourg Branch and the initial Transfer Agent will be The Bank of New York Mellon, London Branch. The Registrar, Transfer Agent and Paying Agent, as applicable, will maintain a register reflecting ownership of the Notes outstanding from time to time, if any, and will make payments on and facilitate transfers of the Notes on behalf of the Issuer.

Subject to the above restrictions, the Issuer may change any Paying Agent, Registrar or Transfer Agent for the Notes without prior notice to the Holders of such Notes. However, for so long as Notes are listed on the Luxembourg Stock Exchange (the "**Exchange**") and the rules of the Exchange so require, the Issuer will publish notice of any change of Paying Agent, Registrar or Transfer Agent in a daily newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by the rules of the Exchange, on the official website of the Exchange. The Issuer or any of its Subsidiaries may act as Paying Agent or Registrar in respect of the Notes.

Additional Notes

The Indenture will be unlimited in aggregate principal amount, of which €350.0 million aggregate principal amount will be issued on the Issue Date. After the Issue Date, we may issue an unlimited principal amount of additional Notes (the "**Additional Notes**") under the Indenture subject to complying with the covenants contained in the Indenture, including the covenant restricting the Incurrence of Indebtedness (as described below under "*—Certain Covenants—Limitation on Indebtedness*").

Any such Additional Notes shall have terms substantially identical to the applicable series of Notes originally issued except in respect of any of the following terms which shall be set forth in an Officer's Certificate (as defined below) supplied to the Trustee:

(1) the title of such Additional Notes;

(2) the aggregate principal amount of such Additional Notes;

(3) the date or dates on which such Additional Notes may be issued;

(4) the rate or rates (which may be fixed or floating) at which such Additional Notes may bear interest and, if applicable, the interest rate basis, formula or other method of determining such interest rate or rates, the date or dates from which such interest shall accrue, the interest payment dates on which such interest may be payable or the method by which such dates will be determined, the record dates for the determination of holders thereof to whom such interest is payable and the basis upon which such interest will be calculated;

(5) the currency or currencies in which such Additional Notes may be denominated and the currency in which cash or government obligations in connection with such series of Additional Notes may be payable;

(6) the maturity date or dates of such Additional Notes, and the date or dates and price or prices at which, the period or periods within which, and the terms and conditions upon which, such Additional Notes may be redeemed, in whole or in part;

(7) if other than in denominations of €100,000 and in integral multiples of €1,000 in excess thereof, the denominations in which such Additional Notes may be issued and redeemed;

(8) the status of registration with the SEC of such Additional Notes or the applicable exemption from such registration pursuant to which such Additional Notes may be offered or sold; and

(9) the ISIN, Common Code, CUSIP or other securities identification numbers with respect to such Additional Notes.

Such Additional Notes will be treated, along with all other Notes of the applicable series, as a single class for the purposes of the Indenture with respect to waivers, amendments and all other

matters which are not specifically distinguished for such series. Unless the context otherwise requires or unless otherwise specified, for all purposes of the Indenture and this "*Description of Notes*," references to the "Notes" include the Notes issued on the Issue Date under the Indenture and any Additional Notes that are actually issued from time to time thereunder.

For all purposes other than U.S. federal income tax purposes, Additional Notes shall be deemed to form one series with any corresponding series of Notes previously issued if they have terms substantially identical in all material respects to such other series of Notes. In the event that any Additional Notes are not fungible with any corresponding series of Notes previously issued for U.S. federal income tax and/or Italian tax purposes, such non-fungible Additional Notes shall be issued with a separate ISIN, Common Code, CUSIP or other securities identification number, as applicable, so that they are distinguishable from such previously issued series of Notes.

The Notes Guarantees

General

On the Issue Date, the Notes will be senior secured obligations of the Issuer, ranking equal in right of payment to all of the Issuer's existing and future senior indebtedness and senior to all of the Issuer's future indebtedness that is subordinated in right of payment to the Notes and will not be guaranteed by any of the Issuer's subsidiaries.

As soon as reasonably practicable and no later than 10 business days following the Issue Date, we will submit an application with the Italian Golden Power Authority pursuant to the Italian Golden Power Legislation in order for the Guarantor Collateral (as defined herein) to be granted. Unless the Italian Golden Power Authority (as defined herein) specifically opposes to the grant of the Notes Guarantee in its response to our application to receive the Italian Golden Power Clearance with respect to the Guarantor Collateral, the Notes will be guaranteed, on an unsecured basis, subject to the Agreed Security Principles (the "Notes Guarantee"), on a senior basis by Servizi Ospedalieri S.p.A., no later that 30 days following such answer from the Italian Golden Power Authority. Failure to grant the Notes Guarantee due to the Italian Golden Power Authority opposing to the grant of the Notes Guarantee will not be an event of default in the Indenture and the Notes would not be guaranteed. The Guarantor will also be a guarantor under the Revolving Credit Facility.

Any Notes Guarantee and the amounts recoverable thereunder will be limited as necessary to reflect limitations under local law in the applicable jurisdiction and defenses generally available to guarantors in such jurisdiction (including laws relating to fraudulent conveyance, fraudulent transfer, transfer at undervalue, voidable preference, maintenance of share capital, corporate benefit, financial assistance, corporate purpose, "thin capitalization") or similar laws affecting the rights of creditors generally, or otherwise to reflect applicable laws, including laws relating to capital maintenance and liquidity protection requirements and the liability of directors and officers. The Notes Guarantee will be further limited as required by the Agreed Security Principles as described below. See "*Limitations on validity and enforceability of the Notes Guarantee and security interests and certain insolvency law considerations*." This includes limiting Notes Guarantees to an amount not to exceed the maximum amount that can be guaranteed by the applicable Guarantor without rendering the Indenture or the relevant Guarantee voidable under applicable law relating to fraudulent conveyance fraudulent transfer, transfer at undervalue, voidable preference, maintenance of share capital, corporate benefit, financial assistance, corporate purpose, "thin capitalization" or similar laws affecting the rights of creditors generally. However, such limitations may not be effective under local law. By virtue of these limitations, a Guarantor's obligations under its Guarantee or any security interest, as applicable, will be significantly less than amounts payable in respect of the Notes, or a Guarantor may have effectively no obligation under its Notes Guarantee. See also "*Risk Factors—Risks Related to the Notes, the Notes Guarantee and the Collateral—Corporate benefit, financial assistance laws, capital maintenance and other limitations on the Notes Guarantee and the Collateral may adversely affect the validity and enforceability of the Notes Guarantee and the Collateral*," "*Risk Factors—Risks Related to the Notes, the Guarantees and the Security Interests—The insolvency*

laws of Italy and other applicable jurisdictions may not be as favorable to you as the insolvency laws of the United States or those of another jurisdiction with which you are familiar; other limitations on the Guarantees and the Security Interests, including fraudulent conveyance statutes, may adversely affect their validity and enforceability," "*Risk Factors—Risks Related to the Notes, the Guarantees and the Security Interests—Enforcing your rights as a holder of the Notes or under the Guarantees or the Collateral across multiple jurisdictions may prove difficult*" and "*Limitations on validity and enforceability of the Notes Guarantee and security interests and certain insolvency law considerations.*". See also "*Risk factors—Risks related to the Notes, the Notes Guarantee and the Collateral—The grant of the Notes Guarantee and the Guarantor Collateral are subject to the Italian Golden Power Legislation and the outcome of such process is uncertain*."

The Notes will be effectively subordinated in right of payment to all obligations (including trade payables and Lease Obligations) of the Issuer's Subsidiaries that do not guarantee the Notes. Any right of the Issuer or any Guarantor to receive assets of any such Subsidiary upon such Subsidiary's liquidation or reorganization (and the consequent right of the holders of the Notes to participate in those assets) will be effectively subordinated to the claims of such Subsidiary's creditors.

As described below under "*—Certain Covenants—Additional Guarantees*" and subject to the Intercreditor Agreement and the Agreed Security Principles (including, among others, limitations arising due to corporate benefit rules), if Subsidiaries of the Issuer in the future guarantee the Revolving Credit Facility or certain other Indebtedness of the Issuer or a Guarantor permitted under the Indenture, such Person shall also enter into one or more Guarantees or supplemental indentures to become Guarantors of the Notes and accede to the Intercreditor Agreement.

For twelve months ended September 30, 2020, the Issuer and the Guarantor represented 57.2% and 11.4%, respectively, of the Group's total revenue and 61.9% and 25.4%, respectively, of the Group's EBITDA (gross of intercompany balances and consolidation eliminations). As of September 30, 2020, the Issuer and the Guarantor constituted 67.7% and 10.0%, respectively, of the Group's total assets (gross of intercompany balances and consolidation eliminations). See "*Risk factors—Risks related to the Notes, the Notes Guarantee and the Collateral*." Although the Indenture restricts the Incurrence of Indebtedness by the Issuer and the Restricted Subsidiaries in excess of the limitations described under "*—Certain Covenants—Limitation on Indebtedness*," such limitations are subject to a number of significant exceptions. Moreover, the Indenture will not impose any limitation on the Incurrence by the Issuer or Restricted Subsidiaries of liabilities that are not considered Indebtedness, Disqualified Stock or Preferred Stock under the Indenture. See "*—Certain Covenants—Limitation on Indebtedness*."

Agreed Security Principles

The Agreed Security Principles apply to the granting of guarantees and security in favor of obligations under the Revolving Credit Facility and the Notes. The Agreed Security Principles include restrictions on the granting of guarantees where, among other things, such grant would be restricted by general legal and statutory limitations, regulatory requirements or restrictions, tax restrictions, financial assistance (including under Article 2358 and/or 2474 of the Italian Civil Code), corporate benefit rules, fraudulent preference, "thin capitalization" rules, "earnings stripping", "controlled foreign corporation" and capital maintenance rules, retention of title claims, employee consultation or approval requirements and similar principles, or where the time and cost of granting the guarantee would be disproportionate to the benefit accruing to the Holders.

The following is a non-exhaustive summary of certain terms of the Agreed Security Principles, which include, among others:

- general legal and statutory limitations, regulatory requirements or restrictions, tax restrictions, financial assistance (including under Article 2358 and/or 2474 of the Italian Civil Code), corporate benefit, fraudulent preference, "thin capitalisation" rules, "earnings stripping",

"controlled foreign corporation" and "capital maintenance" rules, retention of title claims, employee consultation or approval requirements and similar principles may limit the ability of the Issuer and any Restricted Subsidiary or a security provider which is not a Restricted Subsidiary (the "**Security Provider**") from providing a guarantee or security (as applicable) or may require that the guarantee or security (as applicable) be limited to a specific amount or otherwise (the "**Mandatory Rules**"). If any such limit applies, the affected guarantee and security shall be limited to the maximum amount which the relevant member of the Group / Security Provider may provide. As a result, access to the assets of a Guarantor and the maximum guaranteed or secured amount may be restricted or limited by the limitations resulting from the Mandatory Rules;

- the security and extent of its perfection will be agreed on the basis that the cost to the Group of providing security (including but not limited to material effects on interest deducibility and/ or any increase to the tax cost of the Security Provider and/or Group) and taking into account the applicable tax regime so as to ensure that it is proportionate to the benefit accruing to the Holders. In particular, given that the *Imposta Sostitutiva* regime pursuant to article 15 and subsequent of Italian Presidential Decree No. 601/1973 as amended and supplemented from time to time has not been opted for, security that requires payment in Italy of an ad valorem registration Tax on the amount of the secured obligations (other than any security created, confirmed or extended following any amendments and/or confirmations and extensions of the Security Documents entered into by the Issuer to secure its own obligations as an Issuer) will not be taken (i) unless it can be executed by way of exchange of correspondence or in any other form required under the applicable law (other than Italian law) governing the relevant security which does not give rise to any such ad valorem registration tax, or (ii) if tax duty cannot be minimized upon execution (including through a cap to the secured obligations agreed between the Security Agent and the Issuer and/or by limiting the secured obligations to the relevant collateral provider's own obligations (*obbligazioni proprie*));

- any asset subject to a legal requirement, contract, lease, license, instrument, regulatory constraint (including any agreement with any government or regulatory body) or other third party arrangement, which may prevent or condition that asset from being charged, secured or being subject to the applicable Security Document (including requiring a consent of any third party, supervisory board or works council (or equivalent)) and any asset which, if subject to the applicable Security Document, would give a third party the right to terminate or otherwise amend any rights, benefits and/or obligations with respect to any member of the Group in respect of the asset or require the security provider or any member of the Group to take any action materially adverse to the interests of the security provider/ Group or any member thereof, in each case will be excluded from a security document; *provided* that commercially reasonable endeavors (exercised for a maximum period of 20 business days (but without incurring material cost or fees and without adverse impact on relationships with third parties) to obtain consent to charging any such assets (where otherwise prohibited) shall be used by the Group if the Security Agent specifies before signing any applicable security document or accession document that the relevant asset is material and the Issuer is satisfied that such commercially reasonable endeavors will not involve placing relationships with third parties in jeopardy;

- the agreement that members of the Group (other than the Issuer) will not be required to give guarantees or enter into security documents if they are not wholly owned by other members of the Group or if it is not within the legal capacity of the relevant members of the Group or if it would conflict with the fiduciary or statutory duties of their directors or contravene any applicable legal, regulatory or contractual prohibition or restriction or have the potential to result in a material risk of personal or criminal liability for any director or officer of or for any member of the Group, and the guaranteed and secured obligations will be limited to avoid any risk to officers of the relevant member of the Group of contravention of their fiduciary duties and/or criminal or personal liability, provided that the relevant member of the Restricted Group shall use commercially reasonable endeavors (but without incurring material cost and

without adverse impact on relationships with third parties) to overcome any such obstacle or otherwise such guarantee or Security Document shall be subject to such limit;

- the requirement that, to the extent possible, all security shall be given in favor of the Security Agent and not the secured creditors individually *provided* that it shall be permissible to use "parallel debt" or joint creditorship provisions where necessary but not in respect of Security Documents governed by Italian law (which shall be included in the Intercreditor Agreement and not the individual Security Documents unless required under local law);
- the agreement that the Security Providers and the members of the Group will not be required to pay the costs of any re-execution, notarisation, re-registration, amendment, other perfection requirement, tax or duty for, or in respect of, any security on any assignment or transfer by a Holder unless that assignment or transfer is carried out at the request of any member of the Group and the Holder agrees to such request voluntarily (in circumstances where it is not required to agree to such request pursuant to the terms of this Indenture). The cost or fee shall be for the account of the transferee Holder (unless such cost or fee are for the account of the members of the Group pursuant to the terms of this Indenture);
- where a class of assets to be secured includes material and immaterial assets, if the cost of granting security over the immaterial assets is disproportionate to the benefit of such security, security will be granted over the material assets only;
- any assets subject to third party arrangements which are permitted or not prohibited by the Indenture and the Intercreditor Agreement and any other principal senior debt document which is secured) and which may prevent those assets from being charged will be excluded from any relevant Transaction Security Document *provided* that reasonable endeavours to obtain consent to charging any such assets shall be used by the Issuer or any of its Restricted Subsidiaries (the "**Restricted Group**") if the relevant asset is material and if the relevant member of the Group determines that such endeavours will not involve placing commercial relationships with third parties in jeopardy;
- the agreement in certain jurisdictions it may be either impossible or impractical to grant guarantees or create security over certain categories of assets, in which case such guarantees shall not be granted and security will not be taken over such assets;
- the agreement that no security may be provided on terms which are inconsistent with the turnover or sharing provisions in the Intercreditor Agreement and guarantees and that security will not be required from or over the assets of, any joint venture or similar arrangement, any *consorzio* and/or *società consortile*, any *associazione temporanea di imprese*, any minority interest or any member of the Group that is not wholly owned by another member of the Group;
- the agreement that the giving of a guarantee, the granting of security and the perfection of the security granted will not be required if and to the extent it would have a material adverse effect on the ability of the security provider or the relevant member of the Restricted Group to conduct its operations and business in the ordinary course as otherwise permitted by the Indenture and the Intercreditor Agreement (and any other principal senior debt document which is secured);
- any Security Document will only be required to be notarized or notarially certified if required by law in order for the relevant security to become effective or admissible in evidence or for the document to bear a "certified date" as a matter of Italian law;
- the agreement that no title investigations or other diligence on assets will be required and no title insurance will be required;
- the agreement that nothing in any Security Document shall (or be construed to) prohibit any transaction, matter or other step the subject of (or expressed to the subject of) the Security Document if not prohibited by the terms of the Indenture and the Intercreditor Agreement and any other principal senior debt document which is secured);

- the agreement that the secured parties (or any agent or similar representative appointed by them at the relevant time) shall only be able to exercise a power of attorney following the occurrence of an acceleration event (as defined under the Intercreditor Agreement) and which shall include a declaration of acceleration of the Notes or if the security provider or relevant member of the Group has failed to comply with a further assurance or perfection obligation (and any grace period applicable thereto has expired) but in the latter case, only to the extent necessary to comply with such further assurance or perfection obligation;
- the agreement that if a member of the Restricted Group owns shares in another member of the Restricted Group that is not a Material Subsidiary, no steps shall be taken to create or perfect security over those shares unless that member of the Restricted Group is incorporated in the same jurisdiction as a security provider, a guarantor or a Material Subsidiary whose shares are subject to Transaction Security; and
- the agreement that where possible, the Security Documents governed by Italian law will be executed by way of exchange of correspondence (*scambio di corrispondenza commerciale*), or outside Italy, in order to minimise any documentary tax cost connected with their execution.

Notes Guarantee Release

The Notes Guarantee of a Guarantor will automatically and unconditionally terminate and release upon:

(1) a sale or other disposition (including by way of consolidation or merger) of the Capital Stock of a Guarantor that immediately prior to such sale or other disposition was a Subsidiary of the Issuer (whether by direct sale or sale of a holding company) if the sale or other disposition does not violate the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement and such Guarantor ceases to be a Restricted Subsidiary as a result of the sale or other disposition;

(2) the designation in accordance with the Indenture of a Guarantor as an Unrestricted Subsidiary;

(3) legal defeasance, covenant defeasance or satisfaction and discharge of the Notes in accordance with the Indenture, as provided in "*—Defeasance*" and "*—Satisfaction and Discharge*";

(4) pursuant to the provisions of the Intercreditor Agreement or any Additional Intercreditor Agreement;

(5) as described under "*—Amendments and Waivers*";

(6) as described in the second paragraph of the covenant described below under "*—Certain Covenants—Additional Guarantees*";

(7) in connection with a Permitted Reorganization; or

(8) as a result of a transaction that would not be prohibited under "*—Certain Covenants—Merger and Consolidation*."

At the request and expense of the Issuer, the Trustee and the Security Agent, as applicable, shall take all reasonably necessary actions, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, to effectuate any release or amendment of a Notes Guarantee in accordance with these provisions, subject to customary protections and indemnifications. Each of the releases and amendments set forth above shall be effected by the Trustee without any consent of the Holders or any other action or consent on the part of the Trustee.

Security

General

On or about the Issue Date and subject to the Agreed Security Principles, certain perfection requirements and any Permitted Collateral Liens, the Notes will be secured on a senior basis over the following assets (the "**Issue Date Collateral**"):

(a) a first-ranking pledge over the shares of the Issuer; and

(b) a first-ranking security assignment of the receivables in respect of certain material intercompany loans owing to the Issuer by certain of the Issuer's Restricted Subsidiaries.

As soon as reasonably practicable and no later than 10 business days following the Issue Date, we will submit an application with the Italian Golden Power Authority pursuant to the Italian Golden Power Legislation in order for the Guarantor Collateral (as defined herein) to be granted. No later than 30 days following receipt of the Italian Golden Power Clearance, the Notes will be secured by first-ranking security interests over all of the shares of the Guarantor (the "**Guarantor Collateral**", and (as and when granted) together with the Issue Date Collateral, the "**Collateral**"), subject to the Agreed Security Principles (as defined herein). Failure to grant the Guarantor Collateral due to non-receipt of the Italian Golden Power Clearance will not be an event of default in the Indenture and the Notes would not be secured by the Guarantor Collateral.

The assets that comprise the Collateral will also secure on a first-priority basis the Revolving Credit Facility and certain Hedging Obligations, which, in each case, pursuant to the Intercreditor Agreement will be contractually entitled to receive proceeds from the enforcement of the Collateral in priority to the Notes. See "*Risk factors — Risks related to the Notes, the Notes Guarantee and the Collateral – Creditors under the Revolving Credit Facility and certain future hedging obligations, if any, and certain debt that we incur in the future may be entitled to be repaid with the proceeds of the Collateral securing the Notes in priority to the Notes*." In addition, the Revolving Credit Facility will also be secured by a special lien (*privilegio speciale*) granted by Issuer over its movable assets.

Subject to certain conditions, and subject to the restrictions described under "*—Certain Covenants—Impairment of Security Interest*" and "*—Certain Covenants—Limitation on Liens*," the Issuer will be permitted to grant security over the Collateral in connection with future issuances of Indebtedness or Indebtedness of the Restricted Subsidiaries, including Additional Notes, as permitted under the Indenture and the Intercreditor Agreement. All Collateral will be subject to the operation of the Agreed Security Principles and any Permitted Collateral Liens.

Any other security interests that may in the future be granted to secure obligations under the Notes, any Notes Guarantees and the Indenture would also constitute "Collateral." Any future additional Collateral (for the avoidance of doubt, other than Collateral that is released and retaken either (i) pursuant to clause (1) under "*—Release of Liens*" or (ii) as would not be prohibited under "*—Certain Covenants—Impairment of Security Interest*") will be subject to the Agreed Security Principles and all Collateral will be subject to any Permitted Collateral Liens.

The Liens on the Collateral will be limited as necessary to recognize certain limitations arising under or imposed by local law and defenses generally available to providers of Collateral (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose or benefit, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law. For a brief description of such limitations, see "*Risk factors — Risks related to the Notes, the Notes Guarantee and the Collateral—Corporate benefit, financial assistance laws, capital maintenance and other limitations on the Notes Guarantee and the Collateral may adversely affect the validity and enforceability of the Notes Guarantee and the Collateral*" and "*Limitations on validity and enforceability of the Notes Guarantee and security interests and certain insolvency law considerations*." See also "*Risk factors—Risks related to the Notes, the Notes Guarantee and the Collateral—The grant of the Notes Guarantee and the Guarantor Collateral*

are subject to the Italian Golden Power Legislation and the outcome of such process is uncertain."

Notwithstanding the foregoing and the provisions of the covenants described below under "*—Certain Covenants—Limitation on Liens*" and "*—Certain Covenants—Additional Guarantees*," certain property, rights and assets (other than the Collateral described in the first paragraph of this section) may not be pledged or assigned, and any pledge or assignment over property, rights and assets may be limited (or the Liens not perfected) and certain Persons may grant Notes Guarantees or such Notes Guarantees may be limited, in each case, in accordance with the Agreed Security Principles. See "*—The Notes Guarantees—General*" for a summary of certain terms of the Agreed Security Principles.

No appraisals of the Collateral have been made in connection with this offering of the Notes. By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, the Collateral may not be able to be sold in a short period of time, or at all. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Security Interests—The Notes will be secured only to the extent of the value of the Collateral that has been granted as security for the Notes and other secured indebtedness may be secured by certain assets that do not secure the Notes*"; and "*—The value of the Collateral securing the Notes may not be sufficient to satisfy our obligations under the Notes and such collateral may be reduced or diluted under certain circumstances.*"

Priority

The relative contractual priority with regard to the security interests in the Collateral that are created by the Security Documents (the "**Security Interests**" and each, a "**Security Interest**") as between (a) the lenders under the Revolving Credit Facility, (b) the counterparties under certain Hedging Obligations, (c) the Trustee, the Security Agent, the Paying Agent, Registrar, Transfer Agent and Calculation Agent (collectively, the "**Agents**") and the Holders under the Indenture and (d) the creditors of certain other Indebtedness permitted to be secured by the Collateral, respectively, will be established by the terms of the Intercreditor Agreement, the Indenture, the Notes and the Security Documents, which will provide, among other things, that the obligations of the Issuer and any Guarantors under the Revolving Credit Facility, certain Hedging Obligations, the Notes and any Notes Guarantees will be secured equally and ratably by first-priority Security Interests over the Collateral, subject to the Agreed Security Principles. The Intercreditor Agreement will also provide, among other things, that the obligations of the Issuer and any Guarantors under the Revolving Credit Facility and certain Hedging Obligations will receive proceeds from the enforcement of the Collateral in priority to the Notes. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*." In addition, subject to certain limitations, the Collateral may be pledged to secure future Indebtedness, some of which may receive proceeds from the enforcement of the Collateral in priority to the Notes. See "*—Release of Liens*," "*—Certain Covenants—Impairment of Security Interest*" and "*—Certain Definitions—Permitted Collateral Liens*."

Security Documents

Under the Security Documents, security will be granted over the Collateral to secure, *inter alia*, the payment, when due, of the Issuer's payment obligations under the Notes and the payment obligations of the Issuer and the Guarantor under the Indenture, as well as the payment obligations of the Issuer and any Guarantors under the Revolving Credit Facility and certain Hedging Obligations. The Security Documents will be entered into by, among others, the relevant security provider, the Security Agent for itself and as agent for the secured parties (and, with respect to the Security Documents governed by Italian law, also as Security Representative and legal representative (*mandatario con rappresentanza*)), and, with respect to the Security Documents governed by Italian law, the Trustee acting for itself and in its capacity as the Trustee under the Indenture and as common representative (*rappresentante comune*) of the holders of the Notes pursuant to Articles 2417 and 2418 of the Italian Civil Code. Under the Intercreditor Agreement, the Security Agent will also act as an agent of the lenders under the Revolving Credit

Facility and the counterparties under certain Hedging Obligations in relation to the Security Interests created in favor of such parties.

The Indenture and the Intercreditor Agreement will provide that, to the extent permitted by the applicable laws, only the Security Agent (including in its role as Security Representative) will have the right to enforce the Security Interests in the name and on behalf of the Trustee and the holders of the Notes. The Security Documents will provide that the rights under the Security Documents must be exercised by the Security Agent (including in its role as Security Representative). As a consequence of such contractual provisions and since the Holders are not a party to the Security Documents, holders of the Notes will not, individually or collectively, be entitled to take enforcement action in respect of the Collateral securing the Notes, except through the Security Agent (including in its role as Security Representative) or the Trustee (as applicable) under the Indenture. To the extent permitted by the applicable laws and subject to the terms of the Intercreditor Agreement and the Indenture, holders of the Notes will, in certain circumstances, be entitled to direct the Trustee to provide instructions to the Security Agent for the enforcement of the Security Interests. The Indenture and the Intercreditor Agreement will restrict the ability of the holders or the Trustee to enforce the Security Interests and provide for the release of the Security Interests created by the Security Documents in certain circumstances upon enforcement by the lenders under the Revolving Credit Facility. Under the Intercreditor Agreement, the Security Agent will also act in the name and on behalf of the lenders under the Revolving Credit Facility and the counterparties under certain Hedging Obligations, if any, in relation to the Security Interest in favor of such parties.

The Indenture will provide that, subject to the terms thereof and of the Security Documents and the Intercreditor Agreement, the Notes and the Indenture, as applicable, will be secured by Security Interests created under the Security Documents until all obligations under the Notes and the Indenture have been discharged. However, the Security Interests with respect to the Notes and the Indenture may be released under certain circumstances as provided under "*—Release of Liens*."

In the event that the Issuer or its Subsidiaries, voluntarily or otherwise, enter into insolvency, bankruptcy or similar proceedings for receivership, liquidation, winding-up, court protection from creditors, the making of an arrangement or proposal with creditors, the restructuring of debt or other such similar proceedings, the Security Interests created under the Security Documents or the rights and obligations enumerated in the Intercreditor Agreement could be subject to potential challenges. If any challenge to the validity of the Security Interests or the terms of the Intercreditor Agreement were to be successful, the Holders may not be able to recover any amounts under the Security Documents. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Security Interests*."

Enforcement of Security Interest; Limitations

The creditors under the Revolving Credit Facility, the counterparties to certain Hedging Obligations (if any) secured by the Collateral and the Trustee have and, by accepting a Note, each Holder will be deemed to have, appointed, the Security Agent to act as its agent and *mandatario con rappresentanza* under the Intercreditor Agreement and the security documents securing such Indebtedness, including the Security Documents. Furthermore, each Holder will have deemed to have appointed the Security Agent as *mandatario con rappresentanza* pursuant to article 1704 of the Italian Civil Code to act on its behalf and as representative (*rappresentante*) pursuant to article 2414-bis of the Italian Civil Code. The creditors under the Revolving Credit Facility, the counterparties to Hedging Obligations secured by the Collateral and the Trustee have and, by accepting a Note, each Holder will be deemed to have, authorized the Security Agent under the Indenture and/or the Intercreditor Agreement (as applicable) to: (i) perform the duties and exercise the rights, powers and discretions that are specifically given to it under the Intercreditor Agreement and the Security Documents securing such Indebtedness, together with any other incidental rights, power and discretions; and (ii) execute each relevant Security Document, waiver, modification, amendment, renewal or replacement expressed to be executed by the Security Agent in its name and on its behalf.

Intercreditor Agreement; Additional Intercreditor Agreements; Agreement to be Bound

The Indenture will provide that the Issuer and the Trustee will be authorized (without any further consent of the Holders) to enter into the Intercreditor Agreement to give effect to the provisions described in the section entitled "*Description of Certain Financing Arrangements—Intercreditor Agreement*."

The Indenture will also provide that each Holder of the Notes, by accepting such Note, will be deemed to have:

(1) appointed and authorized the Security Agent and the Trustee to give effect to the provisions in the Intercreditor Agreement, any Additional Intercreditor Agreements and the Security Documents;

(2) agreed to be bound by the provisions of the Intercreditor Agreement, any Additional Intercreditor Agreements and the Security Documents;

(3) agreed to, and accepted, the appointment of The Law Debenture Trust Corporation p.l.c. as common representative (*rappresentante comune*) of the Holders pursuant to Articles 2417 and 2418 of the Italian Civil Code;

(4) agreed to, and accepted, the appointment of UniCredit S.p.A., as representative (*rappresentante*) for the purposes of Article 2414-bis, paragraph 3, of the Italian Civil Code for the Holders, in relation to the Security Documents;

(5) agreed and acknowledged that the Security Agent will administer the Transaction Security in accordance with the Intercreditor Agreement, any Additional Intercreditor Agreement, the Indenture and the Security Documents; and

(6) irrevocably appointed and authorized the Security Agent and the Trustee, as applicable, to act in its name and on its behalf to enter into and comply with the provisions of the Intercreditor Agreement, any Additional Intercreditor Agreements and the Security Documents and to be bound thereby and to perform their respective obligations and exercise their respective rights thereunder in accordance therewith.

See "Risk Factors—Risks Related to the Notes, the Guarantees and the Security Interests—The security interests in the Collateral will be granted to the Security Agent rather than directly to the holders of the Notes. The ability of the Security Agent to enforce the Collateral may be restricted by local law" and *"Description of Certain Financing Arrangements—Intercreditor Agreement."*

Similar provisions to those described above may be included in any Additional Intercreditor Agreement (as defined below) entered into as described under "*—Certain Covenants—Additional Intercreditor Agreements*."

Release of Liens

The Security Interests in respect of the Collateral will be released under any one or more of the following circumstances:

(1) in connection with any sale or other disposition of Collateral (other than the Issuer Share Collateral, as defined below) to (a) any Person that is not the Issuer or a Restricted Subsidiary (but excluding any transaction subject to "*—Certain Covenants—Merger and Consolidation*"), if such sale or other disposition does not violate the covenant described under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*" and is otherwise not prohibited under the Indenture or (b) to any Restricted Subsidiary; *provided* that this clause (1)(b) shall not be relied upon in the case of a transfer of Capital Stock, obligations under proceeds loans owed to the Issuer, or accounts receivable (including intercompany loan receivables and hedging receivables) to a Restricted Subsidiary (except, in the case of accounts receivable, to a Receivables Subsidiary) unless the relevant property and assets remain subject to, or otherwise become subject to a Lien in favor of the Notes following such transfer, sale or disposal;

(2) in the case of a Guarantor that is released from its Notes Guarantee pursuant to the terms of the Indenture, the release of the property and assets, and Capital Stock, of such Guarantor;

(3) as described under "*—Amendments and Waivers*";

(4) upon payment in full of principal, interest and all other obligations on the Notes or legal defeasance, covenant defeasance or satisfaction and discharge of the Notes, as provided in "*—Defeasance*" and "*—Satisfaction and Discharge*";

(5) if the Issuer designates any Restricted Subsidiary to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture, the release of the property and assets, and Capital Stock, of such Unrestricted Subsidiary;

(6) in the case of any security interests over intra-group receivables (if any), upon partial repayment or discharge thereof, the security interests created over such receivables will be automatically reduced in proportion to such partial repayment or discharge and, upon full repayment or discharge thereof, the security interests shall be automatically and fully released and of no further effect;

(7) in connection with a Permitted Reorganization;

(8) other than in respect of the Security Interests in the shares of the Issuer (the "**Issuer Share Collateral**"), in the case of any consolidation, merger or other transfer of assets in a transaction in compliance with the covenant described under "*Certain Covenants—Merger and Consolidation*"; or

(9) as otherwise not prohibited by the Indenture.

In addition, the Security Interests created by the Security Documents will be released (a) in accordance with the Intercreditor Agreement or any Additional Intercreditor Agreement and (b) as would not be prohibited under "*Certain Covenants—Impairment of Security Interest*."

At the request and expense of the Issuer or the relevant pledgor, the Security Agent and, to the extent reasonably requested, the Trustee will take all necessary action reasonably requested to effectuate any release of Collateral securing the Notes and any Notes Guarantees, in accordance with the provisions of the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement and the relevant Security Document, subject to customary protections and indemnification. Each of the releases set forth above shall be effected by the Security Agent without the consent of the Holders or any action on the part of the Trustee (unless action is required and reasonably requested to effect such release). The Security Agent and the Trustee shall be entitled to request and rely solely upon an Officer's Certificate and Opinion of Counsel, each certifying which circumstance, as described above, giving rise to a release of the Security Interests has occurred, that such release complies with the Indenture and that all conditions precedent in respect of such release have been satisfied.

Transfer and Exchange

The Notes will be issued in the form of registered notes in global form without interest coupons, as follows:

- Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the Securities Act ("**Rule 144A**") will initially be represented by one or more global notes in registered form without interest coupons attached (the "**144A Global Notes**"). The 144A Global Notes will, on the Issue Date, be deposited with and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream; and
- Notes sold outside the United States pursuant to Regulation S under the Securities Act ("**Regulation S**") will initially be represented by one or more global notes in registered form without interest coupons attached (the "**Regulation S Global Notes**" and, together with the 144A Global Notes, the "**Global Notes**"). The Regulation S Global Note will, on the Issue Date, be deposited with and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

Ownership of interests in the Global Notes ("**Book-Entry Interests**") will be limited to persons that have accounts with Euroclear and Clearstream or persons that may hold interests through such participants.

Ownership of interests in the Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below and described more fully under "*Notice to Investors*." In addition, transfers of Book-Entry Interests between participants in Euroclear or participants in Clearstream will be effected by Euroclear and Clearstream pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream and their respective participants.

Book-Entry Interests in the 144A Global Notes may be transferred to a person who takes delivery in the form of Book-Entry Interests in the Regulation S Global Notes only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S.

Subject to the foregoing, Book-Entry Interests in the Regulation S Global Notes may be transferred to a person who takes delivery in the form of Book-Entry Interests in the 144A Global Note only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a "**qualified institutional buyer**" within the meaning of Rule 144A) in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under "*Notice to Investors*" and in accordance with any applicable securities law of any other jurisdiction.

Any Book-Entry Interest that is transferred as described in the two immediately preceding paragraphs will, upon transfer, cease to be a Book-Entry Interest in the Global Note from which it was transferred and will become a Book-Entry Interest in the Global Note to which it was transferred. Accordingly, from and after such transfer, it will become subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in the Global Note to which it was transferred.

If Definitive Registered Notes are issued, they will be issued only in minimum denominations of €100,000 principal amount, and integral multiples of €1,000 in excess thereof, upon receipt by the Registrar of instructions relating thereto and any certificates, opinions and other documentation required by the Indenture. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, as applicable, from the participant which owns the relevant Book-Entry Interests. Definitive Registered Notes issued in exchange for a Book-Entry Interest will, except as set forth in the Indenture or as otherwise determined by the Issuer in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully under "*Notice to Investors*."

Subject to the restrictions on transfer referred to above, Notes issued as Definitive Registered Notes may be transferred or exchanged, in whole or in part, in minimum denominations of €100,000 in principal amount and integral multiples of €1,000 in excess thereof. In connection with any such transfer or exchange, the Indenture will require the transferring or exchanging Holder to, among other things, furnish appropriate endorsements and transfer documents, to furnish information regarding the account of the transferee at Euroclear or Clearstream, where appropriate, to furnish certain certificates and opinions, and to pay any Taxes in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the Holder, other than any Taxes payable in connection with such transfer.

The Issuer, the Trustee, any Paying Agent, the Transfer Agent and the Registrar will be entitled to treat the registered Holder of a Note as the owner thereof for all purposes.

Restricted Subsidiaries and Unrestricted Subsidiaries

As of the Issue Date, each the Issuer's Subsidiaries will be a Restricted Subsidiary. However, in the circumstances described below under "*—Certain Definitions—Unrestricted Subsidiary*," the Issuer

will be permitted to designate Restricted Subsidiaries that are Subsidiaries of the Issuer as Unrestricted Subsidiaries. Unrestricted Subsidiaries will not be subject to any of the restrictive covenants in the Indenture.

Optional Redemption

Except as described in the paragraphs below and under "*—Redemption for Taxation Reasons*," the Notes offered hereby are not redeemable until February 1, 2023. On and after February 1, 2023, the Issuer may redeem all or, from time to time, part of the Notes upon not less than 10 nor more than 60 days' prior written notice, at the following redemption prices (expressed as a percentage of principal amount) plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date falling prior to or on the redemption date), if redeemed during the twelve month period beginning on February 1 of the years indicated below:

Year	Redemption Price
2023	103.625%
2024	101.8125%
2025 and thereafter	100.000%

Notwithstanding the foregoing, upon not less than 10 nor more than 60 days' notice, the Issuer may redeem in the aggregate up to 40% of the aggregate principal amount of the Notes (calculated after giving effect to any issuance of Additional Notes) at any time prior to February 1, 2023, following one or more Equity Offerings by the Issuer or any Parent with an amount equal to the Net Cash Proceeds of such Equity Offering, to the extent (in the case of an Equity Offering by a Parent) that such Net Cash Proceeds thereof are contributed to the common equity capital of the Issuer or used to purchase Capital Stock (other than Disqualified Stock) of the Issuer through an issuance of Capital Stock by the Issuer, at a redemption price equal to 107.250% of the aggregate principal amount of the Notes to be redeemed, plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date falling prior to or on the redemption date) *provided* that:

(1) at least 50 % of the original aggregate principal amount of the Notes (including the original principal amount of any Additional Notes) remains outstanding immediately after each such redemption (unless all outstanding Notes are redeemed substantially concurrently therewith); and

(2) the redemption occurs within 180 days after the closing of such Equity Offering.

At any time and from time to time prior to February 1, 2023, the Issuer may, at its option, during each calendar year redeem up to 10% of the original principal amount of the Notes (including the original principal amount of any Additional Notes), upon not less than 10 nor more than 60 days' notice, at a redemption price equal to 103% of the principal amount of the Notes so redeemed, plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date falling prior to or on the redemption date).

In addition, prior to February 1, 2023, the Issuer may redeem all or, from time to time, part of the Notes upon not less than 10 nor more than 60 days' prior written notice at a redemption price equal to 100% of the principal amount of the Notes, plus the Applicable Premium (as defined below), plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date falling prior to or on the redemption date).

"**Applicable Premium**" means, with respect to any Note the greater of:

(a) 1% of the principal amount of such Note; and

(b) the excess (to the extent positive) of:

(i) (the present value at such redemption date of (1) the redemption price of such Note at February 1, 2023 (such redemption price (expressed as a percentage of principal amount) being set forth in the table under the heading "*Optional Redemption*"), *plus* (2) all required interest payments due on such Note to and including February 1, 2023 (excluding accrued but unpaid interest), computed upon the redemption date using a discount rate equal to the Bund Rate (as defined below) at such redemption date (or, if greater than such Bund Rate, zero) plus 50 basis points and assuming that the rate of interest on the Notes for the period from the redemption date through February 1, 2023, will equal the rate of interest on the Notes in effect on the date on which the applicable notice of redemption is given; *over*

(ii) the outstanding principal amount of such Note,

as calculated by the Issuer or on behalf of the Issuer by such Person as the Issuer shall designate.

For the avoidance of doubt, calculation of Applicable Premium shall not be an obligation or duty of the Trustee or any of the Agents.

"**Bund Rate**" as selected by the Issuer, means the rate per annum equal to the yield to maturity at the time of computation of direct obligations of the Federal Republic of Germany (*Bunds* or *Bundesanleihen*) with a constant maturity (as officially compiled and published in the most recent financial statistics that has become publicly available at least two Business Days (but not more than five Business Days) prior to the redemption date (or, if such financial statistics are not so published or available, any publicly available source of similar market data selected in good faith by the Board of Directors or an Officer of the Issuer)) most nearly equal to the period from the redemption date to February 1, 2023; *provided*, *however*, that if the period from the redemption date to February 1, 2023 is not equal to the constant maturity of a direct obligation of the Federal Republic of Germany for which a weekly average yield is given, the Bund Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of direct obligations of the Federal Republic of Germany for which such yields are given, except that if the period from such redemption date to February 1, 2023 is less than one year, the weekly average yield on actually traded direct obligations of the Federal Republic of Germany adjusted to a constant maturity of one year shall be used.

General

Subject to compliance with the covenants contained herein, the Issuer and its affiliates may at any time and from time to time purchase Notes. Any such purchases may be made through open market or privately negotiated transactions with third parties or pursuant to one or more tender or exchange offers or otherwise, upon such terms and at such prices as well as with such consideration as the Issuer or any such affiliates may determine, and the amount of Notes purchased may be material.

Notice of redemption will be provided as set forth under "*Selection and Notice*" below.

If the Issuer effects an optional redemption of Notes, it will, for so long as the Notes are listed on Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, inform the Luxembourg Stock Exchange of such optional redemption and confirm the aggregate principal amount of the Notes that will remain outstanding immediately after such redemption.

If the optional redemption date is on or after an interest record date and on or before the related interest payment date, the accrued and unpaid interest will be paid to the Person in whose name the Note is registered at the close of business on such record date, and no additional interest will be payable to Holders whose Notes will be subject to redemption by the Issuer.

In connection with any redemption of Notes, any such redemption may, at the Issuer's discretion, be subject to one or more conditions precedent. In addition, if such redemption or notice is subject to satisfaction of one or more conditions precedent, such notice may state that, in the Issuer's discretion, the redemption date may be delayed until such time as any or all such conditions shall be satisfied (*provided*, *however*, that, in any case, such redemption date shall be no more than 60 days from the date on which such notice is first given), or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied by the redemption date, or by the redemption date so delayed.

Notwithstanding the foregoing, in connection with any tender offer for the Notes, if Holders of Notes of not less than 90% in aggregate principal amount of the applicable outstanding Notes validly tender and do not withdraw such Notes in such tender offer and the Issuer, or any third party making such a tender offer in lieu of the Issuer, purchases, all of the Notes validly tendered and not withdrawn by such Holders, all Holders shall be deemed to have consented to such tender offer and, accordingly, the Issuer or such third party will have the right upon not less than 10 nor more than 60 days' prior notice, given not more than 30 days following such tender offer expiration date, to redeem the Notes that remain outstanding in whole, but not in part following such purchase at a price equal to the price (excluding any early tender fee) offered to each other Holder of Notes in such tender offer (*provided*, however, that such price shall not be less than 100% of the principal amount of the Notes), plus, to the extent not included in the tender offer payment, accrued and unpaid interest, if any, thereon, to, but excluding, such redemption date.

Sinking Fund

The Issuer is not required to make mandatory redemption payments or sinking fund payments with respect to the Notes.

Redemption at Maturity

On February 1, 2026, the Issuer will redeem the Notes that have not been previously redeemed or purchased and cancelled at 100% of their principal amount plus accrued and unpaid interest thereon and Additional Amounts, if any, to the redemption date.

Selection and Notice

If less than all of the Notes are to be redeemed at any time, the Paying Agent or the Registrar (as applicable) will select Notes for redemption on a *pro rata* basis (or, in the case of Notes issued as Global Notes, based on a method that most nearly approximates a *pro rata* selection in accordance with the procedures of the relevant clearing system), unless otherwise required by law or applicable stock exchange, clearing system or depositary requirements. Neither the Trustee, the Paying Agent nor the Registrar will be liable for any selections made in accordance with this paragraph.

For so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and the rules of Luxembourg Stock Exchange so require, the Issuer shall publish notice of redemption in accordance with the prevailing rules of the Luxembourg Stock Exchange and in addition to such publication, not less than 10 nor more than 60 days prior to the redemption date, mail such notice to Holders by first-class mail, postage prepaid, at their respective addresses as they appear on the registration books of the Registrar. Such notice of redemption may instead be published on the website of the Luxembourg Stock Exchange (www.bourse.lu) and may also be delivered in accordance with the rules and procedures of Euroclear or Clearstream, as applicable, in lieu of the aforesaid mailing.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note shall state the portion of the principal amount thereof to be redeemed. In the case of a Definitive Registered Note, a new Definitive Registered Note in principal amount equal to the unredeemed portion of any Definitive Registered Note redeemed in part will be issued in the

name of the Holder thereof upon cancellation of the original Definitive Registered Note. In the case of a Global Note, an appropriate notation will be made on such Global Note to decrease the principal amount thereof to an amount equal to the unredeemed portion thereof. Subject to the terms of the applicable redemption notice, Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions of Notes called for redemption.

Redemption for Taxation Reasons

The Issuer may redeem the Notes in whole, but not in part, at any time upon giving not less than 10 nor more than 60 days' prior written notice to the Holders (which notice will be irrevocable) at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed for redemption (a "**Tax Redemption Date**") and all Additional Amounts (as defined below under "*—Additional Amounts*"), if any, then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise if the Issuer determines in good faith that, as a result of:

(1) any change in, or amendment to, the law or treaties (or any official and published protocols, regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction (as defined below) affecting taxation; or

(2) any amendment to, an introduction of or change in, an official application, administration or written interpretation of such laws, treaties, official and published protocols, regulations or rulings (including by reason of a holding, judgment or order by a court of competent jurisdiction or a change in published practice) (each of the foregoing in clauses (1) and (2), a "**Change in Tax Law**"),

a Payor (as defined below) is, or on the next interest payment date in respect of the Notes would be, required to pay Additional Amounts with respect to the Notes or with respect to any Notes Guarantee (but, in the case of a Guarantor, only if the payment giving rise to such requirement cannot be made by the Issuer or another Guarantor who can make such payment without the obligation to pay Additional Amounts), and such obligation cannot be avoided by taking reasonable measures available to the Payor (including, for the avoidance of doubt, the appointment of a new Paying Agent where this would be reasonable). Such Change in Tax Law must be publicly announced and become effective on or after the Issue Date (or if the applicable Relevant Taxing Jurisdiction became a Relevant Taxing Jurisdiction on a date after the Issue Date, such later date). The foregoing provisions shall apply *mutatis mutandis* to any successor Person, after such successor Person becomes a party to the Indenture, with respect to a change or amendment occurring after the time such successor Person becomes a party to the Indenture.

Notice of redemption for taxation reasons will be published in accordance with the procedures described under "*—Selection and Notice*." Notwithstanding the foregoing, no such notice of redemption will be given earlier than 60 days prior to the earliest date on which the Payor would be obligated to make such payment of Additional Amounts. Prior to the publication or mailing of any notice of redemption of Notes pursuant to the foregoing, the Issuer will deliver to the Trustee (a) an Officer's Certificate stating that it is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to its right so to redeem have been satisfied and that it cannot avoid its obligation to pay Additional Amounts by taking reasonable measures available to it and (b) an opinion of an independent tax counsel of recognized standing and reasonably satisfactory to the Trustee (such approval not to be unreasonably withheld) to the effect that the Payor has been or will become obligated to pay Additional Amounts as a result of a Change in Tax Law. The Trustee will accept and shall be entitled to rely on such Officer's Certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, without liability or further inquiry, in which event it will be conclusive and binding on the Holders.

Additional Amounts

All payments made by or on behalf of the Issuer or any Guarantor (including any successor entity) (each, a "**Payor**") in respect of the Notes or with respect to any Notes Guarantee, as applicable, will be made free and clear of and without withholding or deduction for, or on account of, any Taxes unless the withholding or deduction of such Taxes is then required by law (including any taxing authority's interpretation or administration thereof). If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of:

(1) the Republic of Italy or any political subdivision or governmental authority thereof or therein having the power to tax;

(2) any jurisdiction from or through which payment on any such Note (including pursuant to any Notes Guarantee) is made, or any political subdivision or governmental authority thereof or therein having the power to tax, by or on behalf of any Payor (including the jurisdiction of the Paying Agent); or

(3) any other jurisdiction in which a Payor that actually makes a payment on the Notes or the Notes Guarantee is incorporated, organized, considered or deemed to be a resident for tax purposes, or any political subdivision or governmental authority thereof or therein having the power to tax (each of clause (1), (2) and (3), a "**Relevant Taxing Jurisdiction**"),

will at any time be required by law to be made from any payments made by or on behalf of the Payor with respect to any Note or any Notes Guarantee, including payments of principal, redemption price, interest or premium, if any, the Payor will pay (together with such payments) such additional amounts (the "**Additional Amounts**") as may be necessary in order that the net amounts received by each Holder in respect of such payments, after such withholding or deduction (including any such deduction or withholding from such Additional Amounts), will not be less than the amounts which would have been received in respect of such payments on any such Note or Notes Guarantee in the absence of such withholding or deduction; *provided*, *however*, that no such Additional Amounts will be payable for or on account of:

(1) any Taxes that would not have been so imposed but for the existence of any present or former connection between the relevant Holder or the beneficial owner of a Note (or between a fiduciary, settlor, beneficiary, member, partner or shareholder of, or possessor of power over the relevant Holder or the beneficial owner, if the relevant Holder or the beneficial owner is an estate, nominee, trust, partnership, limited liability company or corporation) and the Relevant Taxing Jurisdiction (including, without limitation, being resident for tax purposes, or being a citizen or resident or national of, or carrying on a business or maintaining a permanent establishment in, or being physically present in, the Relevant Taxing Jurisdiction) but excluding, in each case, any connection arising solely from the acquisition, ownership or holding of such Note or Notes Guarantee or the receipt of any payment or the exercise or enforcement of rights under such Note, the Indenture or a Notes Guarantee; or

(2) any Tax that is imposed or withheld by reason of the failure by the Holder or the beneficial owner of the Note, as applicable, to comply with a reasonable written request of the Payor or applicable withholding agent addressed to the Holder, after reasonable notice (at least 30 days before any such withholding or deduction is payable), to provide certification, information, documents or other evidence concerning the nationality, residence or identity of the Holder or such beneficial owner or to make any declaration or similar claim or satisfy any other reporting requirement relating to such matters, which is required by a statute, treaty, regulation or administrative practice of the Relevant Taxing Jurisdiction as a precondition to exemption from, or reduction in the rate of withholding or deduction of, all or part of such Tax but only to the extent the Holder or beneficial owner is legally entitled to provide such certification or documentation; or

(3) any Taxes, to the extent that such Taxes are imposed as a result of the presentation of the Note for payment (where Notes are in the form of Definitive Registered Notes and

presentation is required) more than 30 days after the relevant payment is first made available for payment to the Holder (except to the extent that the Holder would have been entitled to Additional Amounts had the Note been presented on the last day of such 30-day period); or

(4) any Taxes that are payable otherwise than by deduction or withholding from a payment made under or with respect to the Notes or any Notes Guarantee; or

(5) any estate, inheritance, gift, sales, transfer, personal property or similar tax, assessment or other governmental charge; or

(6) any Taxes to the extent such Taxes are for or on account of *imposta sostitutiva* pursuant to Italian Legislative Decree No. 239 of April 1, 1996, as amended or supplemented from time to time ("**Legislative Decree No. 239**") and any related implementing regulations or pursuant to Italian Legislative Decree No. 461 of November 21, 1997, as amended and supplemented from time to time, and any related implementing regulations unless the procedure required under Legislative Decree No. 239 in order to benefit from an exemption from *imposta sostitutiva* have not been complied with due solely to the actions or omissions of the Issuer or its agents; *provided* that, for the avoidance of doubt, (A) no Additional Amounts shall be payable with respect to any Taxes to the extent such Taxes result from payment to a non-Italian resident legal entity or a non-Italian resident individual which are subject to *imposta sostitutiva* by reason of not being resident in a country which allows for a satisfactory exchange of information with Italy (commonly referred to as the "white list") and (B) no Additional Amounts shall be payable with respect to Taxes to the extent such Taxes are for or on account of *imposta sostitutiva* if the Holder becomes subject to *imposta sostitutiva* after the Issue Date by reason of any amendment to white list, currently provided by the Ministerial Decree dated September 4, 1996, as amended from time to time, whereby such Holder's country of residence does not appear on the new list; or

(7) any Taxes required to be deducted or withheld pursuant to section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), or otherwise imposed pursuant to sections 1471 through 1474 of the Code, in each case, as of the Issue Date (or, in each case, any amended or successor version that is substantively comparable), any current or future regulations, rules or agreements thereunder, or any successor or similar provisions and any agreements entered into pursuant to Section 1471(b) of the Code, official interpretations thereof, or any treaty, law, regulation or other rules enacted in any other jurisdiction relating to any intergovernmental agreement (and related legislation or related rules) between the United States and any other jurisdiction, which (in any such case) facilitates the implementation of the provisions of Section 1471 through 1474 of the Code; or

(8) any combination of the items (1) through (7) above.

In addition, no Additional Amounts shall be paid with respect to a Holder who is a fiduciary or a partnership or any person other than the beneficial owner of the Notes, to the extent that the beneficiary or settler with respect to such fiduciary, the member of such partnership or the beneficial owner would not have been entitled to Additional Amounts had such beneficiary, settler, member or beneficial owner held such Notes directly.

The Payor will (i) make any required withholding or deduction and (ii) remit the full amount deducted or withheld to the Relevant Taxing Jurisdiction in accordance with applicable law. The Payor will use reasonable efforts to obtain and provide certified copies of tax receipts evidencing the payment of any Taxes so deducted or withheld from each Relevant Taxing Jurisdiction imposing such Taxes, or if such tax receipts are not available, certified copies of other reasonable evidence of such payments as soon as reasonably practicable to the Trustee and the Paying Agent. Such copies shall be made available to the Holders upon reasonable request, and will be made available at the offices of the Paying Agent.

If any Payor is obligated to pay Additional Amounts under or with respect to any payment made on any Note or any Notes Guarantee, at least 30 days prior to the date of such payment, the

Payor will deliver to the Trustee and the Paying Agent an Officer's Certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable and such other information necessary to enable the Paying Agent to pay Additional Amounts to Holders on the relevant payment date (unless such obligation to pay Additional Amounts arises less than 45 days prior to the relevant payment date, in which case the Payor may deliver such Officer's Certificate as promptly as practicable thereafter). The Trustee and the Paying Agent shall be entitled to rely solely on such Officer's Certificate as conclusive proof that such payments are necessary.

Wherever in the Indenture, any Notes Guarantee, the Notes or this "*Description of the Notes*" there is mentioned, in any context:

(i) the payment of principal;

(ii) redemption prices or purchase prices in connection with a redemption or a purchase of Notes;

(iii) interest; or

(iv) any other amount payable on or with respect to any of the Notes or any Notes Guarantee,

such reference shall be deemed to include payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Payor will pay and reimburse the Holders for any present or future stamp, issue, registration, court or documentary taxes, or similar charges or levies (including any related interest or penalties with respect thereto) or any other excise, property or similar taxes or similar charges or levies (including any related interest or penalties with respect thereto) that arise in a Relevant Taxing Jurisdiction from the execution, issuance, delivery, registration, enforcement of, or receipt of payments with respect to any Notes, any Notes Guarantee, the Indenture, the Security Documents or any other document or instrument in relation thereto (other than in each case, in connection with a transfer of the Notes after this offering and limited solely in the case of such taxes or similar charges or levies that arise from the receipt of any payments of principal or interest on the Notes, to any such taxes or similar charges or levies that are not excluded under clauses (1) through (3) and (5) through (7)).

The foregoing obligations will survive any termination, defeasance or discharge of the Indenture and any transfer by a Holder or beneficial owner, and will apply *mutatis mutandis* to any jurisdiction in which any successor to a Payor is incorporated or organized, engaged in business for tax purposes or otherwise resident for tax purposes, or any jurisdiction from or through which any payment under, or with respect to the Notes (or any Notes Guarantee) is made by or on behalf of such Payor, or any political subdivision or taxing authority or agency thereof or therein having the power to tax.

Change of Control

If a Change of Control occurs, subject to the terms of the covenant described under this heading "*Change of Control*," each Holder will have the right to require the Issuer to repurchase all or any part (equal to €100,000 or integral multiples of €1,000 in excess thereof; *provided* that Notes of €100,000 or less may only be redeemed in whole and not in part) of such Holder's Notes at a purchase price in cash equal to 101% of the principal amount of the Notes repurchased, plus accrued and unpaid interest and Additional Amounts, if any, to the date of purchase; *provided, however,* that the Issuer shall not be obligated to repurchase Notes as described under this heading "*Change of Control*," in the event and to the extent that it has unconditionally exercised its right to redeem all of the Notes and given notice of redemption as described under "*—Optional Redemption*" and that all conditions to such redemption have been satisfied or waived.

Unless the Issuer has unconditionally exercised its right to redeem all the Notes and given notice of redemption as described under "*—Optional Redemption*" and all conditions to such

redemption have been satisfied or waived, no later than the date that is 60 days after any Change of Control, the Issuer will mail a notice (the "**Change of Control Offer**") to each Holder of any such Notes, with a copy to the Trustee:

(1) stating that a Change of Control has occurred or may occur and that such Holder has the right to require the Issuer to purchase all or any part of such Holder's Notes at a purchase price in cash equal to 101% of the principal amount of such Notes plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the date of purchase (the "**Change of Control Payment**");

(2) stating the repurchase date (which shall be no earlier than 10 days nor later than 60 days from the date such notice is mailed) (the "**Change of Control Payment Date**");

(3) stating that any Note accepted for payment pursuant to the Change of Control Offer will cease to accrue interest on the Change of Control Payment Date unless the Change of Control Payment is not paid, and that any Notes or part thereof not tendered will continue to accrue interest;

(4) describing the circumstances and relevant facts regarding the transaction or transactions that constitute the Change of Control;

(5) describing the procedures determined by the Issuer, consistent with the Indenture, that a Holder must follow in order to have its Notes repurchased; and

(6) if such notice is mailed prior to the occurrence of a Change of Control stating that the Change of Control Offer is conditional on the occurrence of such Change of Control.

On the Change of Control Payment Date, if the Change of Control shall have occurred, the Issuer will, to the extent lawful:

(1) accept for payment all Notes or portion thereof properly tendered pursuant to the Change of Control Offer;

(2) deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Notes so tendered;

(3) deliver or cause to be delivered to the Trustee an Officer's Certificate stating the aggregate principal amount of Notes or portions of the Notes being purchased by the Issuer in the Change of Control Offer;

(4) in the case of Global Notes, deliver, or cause to be delivered, to the Trustee (or an authenticating agent) the Global Notes in order to reflect thereon the portion of such Notes or portions thereof that have been tendered to and purchased by the Issuer; and

(5) in the case of Definitive Registered Notes, deliver, or cause to be delivered, to the relevant Registrar for cancellation all Definitive Registered Notes accepted for purchase by the Issuer.

If any Definitive Registered Notes have been issued, the Paying Agent will promptly, at the cost of the Issuer, mail to each Holder of Definitive Registered Notes so tendered the Change of Control Payment for such Notes, and the Trustee (or an authenticating agent) will, at the cost of the Issuer, promptly authenticate and mail (or cause to be transferred by book-entry) to each Holder of Definitive Registered Notes a new Definitive Registered Note equal in principal amount to the unpurchased portion of the Notes surrendered, if any; *provided* that each such new Note will be in a principal amount that is at least €100,000 and integral multiples of €1,000 in excess thereof.

For so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and the rules of such exchange so require, the Issuer will publish notices relating to the Change of Control Offer as soon as reasonably practicable after the Change of Control Payment Date in a newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by such rules, post such notices on the official website of the Luxembourg Stock Exchange.

Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the Holders to require that the Issuer repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction. The Holders' right to require the Issuer to repurchase Notes upon the occurrence of a Change of Control may deter a third party from seeking to acquire the Issuer or its Subsidiaries in a transaction that would constitute a Change of Control.

The Issuer will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer. Notwithstanding anything to the contrary contained herein, a Change of Control Offer may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place providing for the Change of Control at the time the Change of Control Offer is made.

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to this covenant. To the extent that the provisions of any securities laws or regulations conflict with provisions of the Indenture, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control provisions of the Indenture by virtue of such compliance.

The Issuer's ability to repurchase Notes issued by it pursuant to a Change of Control Offer may be limited by a number of factors. The occurrence of certain of the events that constitute a Change of Control would require a mandatory prepayment of Indebtedness under the Revolving Credit Facility Agreement. In addition, certain events that may constitute a change of control under the Revolving Credit Facility and require a mandatory prepayment of Indebtedness under such agreement may not constitute a Change of Control under the Indenture. Future Indebtedness of the Issuer or the Restricted Subsidiaries may also contain prohibitions of certain events that would constitute a Change of Control or require such Indebtedness to be repurchased upon a Change of Control. Moreover, the exercise by the Holders of their right to require the Issuer to repurchase the Notes could cause a default under, or require a repurchase of, such Indebtedness, even if the Change of Control itself does not, due to the financial effect of such repurchase on the Issuer. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Security Interests—The Issuer may not be able to repurchase the Notes upon a change of control. In addition, under certain circumstances, the Issuer may have the right to purchase all outstanding Notes in connection with a tender offer, even if certain holders do not consent to the tender*."

The definition of "Change of Control" includes a disposition, in one or a series of related transactions, of all or substantially all of the property and assets of the Issuer to specified other Persons. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the property and assets of the Issuer. As a result, it may be unclear as to whether a Change of Control has occurred and whether a Holder may require the Issuer to make an offer to repurchase the Notes as described above.

The provisions of the Indenture relating to the Issuer's obligation to make an offer to repurchase the Notes as a result of a Change of Control may be waived or modified with the written consent of Holders of a majority in outstanding principal amount of the Notes.

Certain Covenants

Limitation on Indebtedness

The Issuer will not, and will not permit any Restricted Subsidiary to, Incur any Indebtedness (including Acquired Indebtedness); *provided*, *however*, that the Issuer and any Restricted Subsidiary may Incur Indebtedness (including Acquired Indebtedness), if on the date of such Incurrence, after giving *pro forma* effect to the Incurrence of such Indebtedness (including *pro forma* application of the proceeds thereof), (1) the Fixed Charge Coverage Ratio for the Issuer would have been at least 2.0 to 1.0; and (2) to the extent that the Indebtedness is Senior Secured Indebtedness, the Consolidated Senior Secured Net Leverage Ratio for the Issuer would have been no greater than 3.0 to 1.0.

The first paragraph of this covenant will not prohibit the Incurrence of the following Indebtedness:

(1) Indebtedness Incurred by the Issuer or any Restricted Subsidiary pursuant to any Credit Facility (including in respect of letters of credit or bankers' acceptances issued or created thereunder), and any refinancing Indebtedness in respect thereof and Guarantees in respect of such Indebtedness in a maximum aggregate principal amount at any time outstanding not exceeding (i) the greater of €100.0 million and 86% of Consolidated EBITDA, plus (ii) in the case of any refinancing of any Indebtedness permitted under this clause (1) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses Incurred in connection with such refinancing;

(2) (a) Guarantees by the Issuer or any Restricted Subsidiary of Indebtedness of the Issuer or any Restricted Subsidiary, so long as the Incurrence of such Indebtedness is permitted to be Incurred by another provision of this covenant; *provided* that if the Indebtedness being guaranteed is subordinated or *pari passu* with a Notes Guarantee, then the Guarantee of such Indebtedness shall be subordinated or *pari passu* to the same extent as the Indebtedness being guaranteed; or

(b) without limiting the covenant described under "*—Limitation on Liens*," Indebtedness arising by reason of any Lien granted by or applicable to such Person securing Indebtedness of the Issuer or any Restricted Subsidiary so long as the Incurrence of such Indebtedness is permitted under the terms of the Indenture;

(3) Indebtedness of the Issuer owing to and held by any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owing to and held by the Issuer or any Restricted Subsidiary; *provided*, *however*, that:

(a) if the Issuer or a Guarantor is the obligor on any such Indebtedness and the obligee is not the Issuer or a Guarantor (except in respect of intercompany current liabilities Incurred in the ordinary course of business in connection with cash management positions of the Issuer and its Restricted Subsidiaries), such Indebtedness is unsecured and, only to the extent legally permitted (the relevant Restricted Subsidiaries having completed all procedures required in the reasonable judgment of directors or officers of the obligee or obligor to protect such Persons from any penalty or civil or criminal liability in connection with the subordination of such Indebtedness), it is expressly subordinated to the prior payment in full in cash of all obligations with respect to the applicable Notes Guarantee pursuant to the Intercreditor Agreement or any Additional Intercreditor Agreement; and

(b) any subsequent issuance or transfer of Capital Stock or any other event which results in any such Indebtedness being beneficially held by a Person other than the Issuer or a Restricted Subsidiary and any sale or other transfer of any such Indebtedness to a Person other than the Issuer or a Restricted Subsidiary shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (3) by the Issuer or such Restricted Subsidiary, as the case may be;

(4) (a) Indebtedness represented by the Notes (other than any Additional Notes), any Notes Guarantees and any "*parallel debt*" obligations related to the Notes and any Notes Guarantees under the Intercreditor Agreement or any Additional Intercreditor Agreement, as well "*parallel debt*" obligations related to any other Indebtedness permitted to be Incurred pursuant to this Indenture;

(b) any Indebtedness (other than Indebtedness Incurred under the Revolving Credit Facility Agreement and Indebtedness described in clause (3) of this paragraph) of the Issuer and its Restricted Subsidiaries outstanding on the Issue Date after giving *pro forma* effect to the Offering and the use of proceeds therefrom;

(c) Refinancing Indebtedness Incurred in respect of any Indebtedness described in clauses 4(a), 4(b), this clause 4(c) and clauses (5)(II) and (13) of this paragraph or Incurred pursuant to the first paragraph of this covenant; and

(d) Indebtedness Incurred in respect of Management Advances;

(5) Indebtedness of any Person (a) outstanding on the date on which such Person becomes a Restricted Subsidiary or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Issuer or any Restricted Subsidiary or (b) Incurred to provide all or a portion of the funds utilized to consummate a transaction or series of related transactions pursuant to which (i) any Person became a Restricted Subsidiary or is otherwise acquired by the Issuer or a Restricted Subsidiary or (ii) any assets are acquired and related liabilities are assumed by the Issuer or any Restricted Subsidiary; *provided* that Indebtedness Incurred pursuant to this clause (5) is in an aggregate amount not to exceed (I) €10.0 million, plus (II) unlimited additional Indebtedness to the extent that after giving *pro forma* effect to such acquisition or other transaction and to the related Incurrence of Indebtedness, (x) either (A) the Issuer would have been able to Incur €1.00 of additional Indebtedness pursuant to the first paragraph of this covenant or (B) the Fixed Charge Coverage Ratio for the Issuer would not be less than it was immediately prior to giving effect to such acquisition or other transaction and to the related Incurrence of Indebtedness and (y) to the extent that the Indebtedness Incurred under sub-clause (ii) of this clause (5) constitutes Senior Secured Indebtedness, either (A) the Issuer would have been able to Incur €1.00 of additional Senior Secured Indebtedness pursuant to the first paragraph of this covenant or (B) the Consolidated Senior Secured Net Leverage Ratio for the Issuer would not be greater than it was immediately prior to giving effect to such acquisition or other transaction and to the related Incurrence of Indebtedness;

(6) Indebtedness in respect of Hedging Obligations not for speculative purposes (as determined in good faith by the Board of Directors or a member of senior management of the Issuer or any Parent);

(7) Indebtedness consisting of (a) Lease Obligations, mortgage financings, Purchase Money Obligations or other financings, Incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvement of property, plant or equipment used or useful in a Similar Business or (b) Indebtedness otherwise Incurred to finance the purchase, lease, rental or cost of design, construction, installation or improvement of property (real or personal) or equipment that is used or useful in a Similar Business, whether through the direct purchase of assets or the Capital Stock of any Person owning such assets, and any Indebtedness which refinances, replaces or refunds such Indebtedness or reimburses amounts used for such purposes, in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (7) and then outstanding, will not exceed at any time outstanding the greater of €10.0 million and 9% of Consolidated EBITDA; *provided* that such Indebtedness exists on the date of such purchase, lease, rental or improvement or is created within 365 days thereafter;

(8) Indebtedness in respect of (a) workers' compensation claims, self-insurance obligations, unemployment insurance (including premiums related thereto), other types of social security,

pension obligations, vacation pay, health, disability or other employee benefits, performance bond, bid bond, indemnity, surety, judgment, appeal, advance payment, customs, VAT, Taxes, Tax Sharing Agreements or other tax (including interest and penalties with respect thereto) or other guarantees or other similar bonds, instruments or obligations and completion guarantees and warranties provided by the Issuer or a Restricted Subsidiary or relating to liabilities, obligations or guarantees Incurred in the ordinary course of business or consistent with past practice or in respect of any governmental requirement; (b) letters of credit, bankers' acceptances, guarantees or other similar instruments or obligations issued or relating to liabilities or obligations Incurred in the ordinary course of business or consistent with past practice or in respect of any governmental requirement, *provided*, *however*, that upon the drawing of such letters of credit or other similar instruments, the obligations are reimbursed within 30 days following such drawing; (c) the financing of insurance premiums in the ordinary course of business or consistent with past practice; (d) Cash Management Services and any customary cash management, cash pooling or netting or setting off arrangements, customary credit card facilities, in the ordinary course of business or consistent with past practice; (e) Indebtedness representing (i) deferred compensation to current or former directors, officers, employees, members of management, managers and consultants of any Parent, the Issuer or any of its Subsidiaries in the ordinary course of business or consistent with past practice or (ii) deferred compensation or other similar arrangements in connection with the Transactions or any other Investment or acquisition permitted hereby; and (f) any lease, concession or license of property (or guarantee thereof) which would be considered an operating lease under IAS 17 (Leases);

(9) Indebtedness arising from agreements providing for customary guarantees, indemnification, obligations in respect of earn-outs or other adjustments of purchase price or, in each case, similar obligations, in each case, Incurred or assumed in connection with the acquisition or disposition of any business or assets or Person or any Capital Stock of a Subsidiary (other than Guarantees of Indebtedness Incurred by any Person acquiring or disposing of such business or assets or such Subsidiary for the purpose of financing such acquisition or disposition); *provided* that the maximum liability of the Issuer and the Restricted Subsidiaries in respect of all such Indebtedness shall at no time exceed the gross proceeds, including the fair market value of non-cash proceeds (measured at the time received and without giving effect to any subsequent changes in value), actually received by the Issuer and the Restricted Subsidiaries in connection with such disposition;

(10) (a) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; *provided*, *however*, that such Indebtedness is extinguished within 30 Business Days of Incurrence;

(b) (i) customer deposits and advance payments received for good faith commercial reasons from customers for goods or services purchased and (ii) Indebtedness consisting of obligations owing under any customer or supplier incentive, supply, license or similar agreements entered into for good faith commercial reasons;

(c) Indebtedness owed on a short-term basis of no longer than 30 days to banks and other financial institutions Incurred in the ordinary course of business of the Issuer and the Restricted Subsidiaries with such banks or financial institutions that arises in connection with ordinary banking arrangements to manage cash balances of the Issuer and the Restricted Subsidiaries;

(d) Indebtedness Incurred by the Issuer or a Restricted Subsidiary in connection with bankers' acceptances, discounted bills of exchange or the discounting or factoring of receivables for credit management of bad debt purposes, in each case Incurred or undertaken in the ordinary course of business; and

(e) Indebtedness represented by guarantees of pension fund obligations of the Issuer or any Restricted Subsidiary required by law or regulation;

(11) Indebtedness in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness Incurred pursuant to this clause (11) and then outstanding, will not exceed the greater of €50.0 million and 43% of Consolidated EBITDA;

(12) Indebtedness Incurred in (a) Qualified Receivables Financings or (b) factoring financings, securitizations, reverse factoring financings, Receivables Financings or similar arrangements (x) that do not provide recourse to, and do not impose obligations on, the Issuer or any Restricted Subsidiary other than pursuant to Standard Securitization Undertakings or (y) in an aggregate principal amount, when taken together with other Indebtedness Incurred pursuant to this clause (y), not exceeding the greater of €15.0 million and 13% of Consolidated EBITDA at any time outstanding;

(13) Indebtedness of the Issuer and any Guarantor in an aggregate outstanding principal amount which, when taken together with any refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness Incurred pursuant to this clause (13) and then outstanding, will not exceed 100% of the Net Cash Proceeds received by the Issuer from the issuance or sale (other than to a Restricted Subsidiary) of its Subordinated Shareholder Funding or Capital Stock (other than Disqualified Stock or Designated Preference Shares or through an Excluded Contribution or Parent Debt Contribution) or otherwise contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution or Parent Debt Contribution) of the Issuer, in each case, subsequent to the Issue Date; *provided*, *however*, that (i) any such Net Cash Proceeds that are so received or contributed shall be excluded for purposes of making Restricted Payments under the second paragraph and clauses (1), (6), (14) and (16) of the third paragraph of the covenant described below under "*—Limitation on Restricted Payments*" to the extent the Issuer or any Restricted Subsidiary Incurs Indebtedness in reliance thereon and (ii) any Net Cash Proceeds that are so received or contributed shall be excluded for purposes of Incurring Indebtedness pursuant to this clause (13) to the extent the Issuer or any Restricted Subsidiary makes a Restricted Payment under the second paragraph and clauses (1), (6), (14) and (16) of the third paragraph of the covenant described under "*—Limitation on Restricted Payments*" in reliance thereon; and

(14) the Incurrence by the Issuer or any Restricted Subsidiary of Indebtedness consisting of local lines of credit or working capital facilities not exceeding in the aggregate the greater of €10.0 million and 9.0% of Consolidated EBITDA at any time outstanding.

Notwithstanding the foregoing, the aggregate principal amount of outstanding Indebtedness (excluding any interest paid in kind) Incurred by Restricted Subsidiaries that are not Guarantors pursuant to the first paragraph of this covenant and clause (11) of the second paragraph of this covenant and, without double counting, all Refinancing Indebtedness in respect thereof Incurred by Restricted Subsidiaries that are not Guarantors shall not exceed the greater of €30.0 million and 26% of Consolidated EBITDA at the time of the Incurrence of any such Indebtedness; provided that Refinancing Indebtedness Incurred in respect of Indebtedness pursuant to the first paragraph of this covenant and originally permitted by this paragraph shall always be permitted hereunder. For purposes of determining compliance with, and the outstanding principal amount of any particular Indebtedness Incurred pursuant to and in compliance with, this covenant:

(1) in the event that Indebtedness meets the criteria of more than one of the types of Indebtedness described in the first and second paragraphs of this covenant, the Issuer, in its sole discretion, will classify, and may from time to time reclassify, such item of Indebtedness and only be required to include the amount and type of such Indebtedness in one (or more, if applicable) of the clauses of the first or second paragraph of this covenant; *provided* that any Indebtedness Incurred pursuant to clauses (7), (11), (12)(b) and (14) of the second paragraph of this covenant shall cease to be deemed Incurred or outstanding pursuant to such clauses (7), (11), (12)(b) and (14), as applicable, but shall be deemed Incurred and outstanding pursuant to the first paragraph of this covenant from and after the first date on

which the Issuer or its Restricted Subsidiaries, as the case may be, could have Incurred such Indebtedness thereunder (to the extent the Issuer or its Restricted Subsidiaries are able to Incur any Liens related to such Indebtedness as Permitted Liens or Permitted Collateral Liens after such reclassification);

(2) (a) all Indebtedness Incurred under clause (1) of the second paragraph of this covenant that is secured by a Lien on the Collateral that is entitled under the terms of the Intercreditor Agreement or any Additional Intercreditor Agreement to receive the proceeds from enforcement of the Collateral in priority to the Notes may not be reclassified and (b) all Indebtedness outstanding on the Issue Date under the Revolving Credit Facility shall be deemed initially Incurred under clause (1) of the second paragraph of this covenant and not the first paragraph or clause (4)(b) of the second paragraph of this covenant and may not be reclassified;

(3) the amount of Indebtedness that may be Incurred pursuant to any provision of this covenant or secured pursuant to the covenant set forth under "*—Limitation on Liens*" (a) shall be deemed to include all amounts necessary to renew, refund, redeem, refinance, replace, restructure, defease or discharge any such Indebtedness Incurred and/or secured pursuant to such provisions, including after giving effect to additional Indebtedness in an amount equal to the aggregate amount of fees (including original issue discount), accrued but unpaid dividends, *premia* (including tender *premia*) and other costs and expenses Incurred in connection with such renewal, refund, redemption, refinancing, replacement, restructuring, defeasance or discharge; and (b) in any case where such amounts are or may be based on Consolidated EBITDA (or any ratio of which Consolidated EBITDA is a component), shall not be deemed to be exceeded, with respect to such Incurrence or grant of Lien, due solely to the result of fluctuations in the amount of Consolidated EBITDA (and, for the avoidance of doubt, such Indebtedness and such Lien will be permitted to be refinanced or replaced notwithstanding that, after giving effect to such refinancing or replacement, such excess will continue);

(4) Guarantees of, or obligations in respect of letters of credit, bankers' acceptances or other similar instruments relating to, or Liens securing, Indebtedness that is otherwise included in the determination of a particular amount of Indebtedness shall not be included;

(5) if obligations in respect of letters of credit, bankers' acceptances or other similar instruments are Incurred pursuant to any Credit Facility and are being treated as Incurred pursuant to the first or second paragraph above and the letters of credit, bankers' acceptances or other similar instruments relate to other Indebtedness, then such other Indebtedness shall not be included;

(6) the principal amount of any Disqualified Stock of the Issuer or a Restricted Subsidiary, or Preferred Stock of a Restricted Subsidiary, will be equal to the greater of the maximum mandatory redemption or repurchase price (not including, in either case, any redemption or repurchase premium) or the liquidation preference thereof;

(7) Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness;

(8) the amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined on the basis of IFRS;

(9) accrual of interest, accrual of dividends, the accretion of accreted value, the accretion or amortization of original issue discount, the payment of interest in the form of additional Indebtedness (including PIK interest), the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock or the reclassification of commitments or obligations not treated as Indebtedness due to a change in IFRS will not be deemed to be an

Incurrence of Indebtedness for purposes of this covenant, nor to be the Incurrence of a Lien under the covenant set forth in "*—Limitation on Liens*"; *provided* that the Lien securing such originally Incurred Preferred Stock or Indebtedness was Incurred in accordance with the Indenture. The amount of any Indebtedness outstanding as of any date shall be (a) the accreted value thereof in the case of any Indebtedness issued with original issue discount and (b) the principal amount, or liquidation preference thereof, in the case of any other Indebtedness; and

(10) in the event that the Issuer or a Restricted Subsidiary enters into or increases commitments under a revolving credit facility, enters into any commitment to Incur or issue Indebtedness or commits to Incur any Lien pursuant to clause (30) of the definition of "Permitted Liens" or any Permitted Collateral Lien, the Incurrence or issuance thereof for all purposes under the Indenture, including, without limitation, for purposes of calculating the Fixed Charge Coverage Ratio, the Consolidated Net Leverage Ratio or the Consolidated Senior Secured Net Leverage Ratio, as applicable, or use of clauses (1) through (14) of the preceding paragraph (if any) for borrowings and re-borrowings thereunder (and including issuance and creation of letters of credit and bankers' acceptances thereunder) will, at the Issuer's option, either (a) be determined on the date of such revolving credit facility or such entry into or increase in commitments (assuming that the full amount thereof has been borrowed as of such date) or other Indebtedness, Disqualified Stock or Preferred Stock, and, if such Fixed Charge Coverage Ratio, the Consolidated Net Leverage Ratio or the Consolidated Senior Secured Net Leverage Ratio, as applicable, test or other provision of the Indenture is satisfied with respect thereto at such time, any borrowing or re-borrowing thereunder (and the issuance and creation of letters of credit and bankers' acceptances thereunder) will be permitted under this covenant and under the covenant described under "*—Limitation on Liens*" irrespective of the Fixed Charge Coverage Ratio, Consolidated Net Leverage Ratio, Consolidated Senior Secured Net Leverage Ratio, as applicable, or other provision of the Indenture at the time of any borrowing or re-borrowing (or issuance or creation of letters of credit or bankers' acceptances thereunder) (the committed amount permitted to be borrowed or reborrowed (and the issuance and creation of letters of credit and bankers' acceptances) on a date pursuant to the operation of this clause (a) shall be the "**Reserved Indebtedness Amount**" as of such date for purposes of the Fixed Charge Coverage Ratio, Consolidated Net Leverage Ratio, Consolidated Senior Secured Net Leverage Ratio, as applicable, or other provision of the Indenture, and, to the extent the usage of clauses (1) through (14) of the preceding paragraph (if any), shall be deemed to be Incurred and outstanding under such clauses) or (b) be determined on the date such amount is borrowed pursuant to any such facility or increased commitment, and in each case, the Issuer may revoke such determination at any time and from time to time.

If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Indebtedness of such Subsidiary shall be deemed to be Incurred by such Restricted Subsidiary as of such date (and, if such Indebtedness is not permitted to be Incurred as of such date under the covenant described under "*—Limitation on Indebtedness*," the Issuer shall be in Default of this covenant).

For purposes of determining compliance with any euro-denominated restriction on the Incurrence of Indebtedness, the euro equivalent of the principal amount of Indebtedness denominated in another currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or first committed or first Incurred (whichever yields the lower euro equivalent), in the case of Indebtedness Incurred under a revolving credit facility; *provided* that (a) if such Indebtedness is Incurred to refinance other Indebtedness denominated in a currency other than euro, and such refinancing would cause the applicable euro-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such euro-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such refinancing Indebtedness does not exceed the amount set forth in clause (2) of the definition of "Refinancing Indebtedness"; (b) the euro equivalent of the principal amount of any such Indebtedness outstanding on the Issue Date in respect of the Issuer

shall be calculated based on the relevant currency exchange rate in effect on the Issue Date; and (c) if any such Indebtedness that is denominated in a different currency is subject to a Currency Agreement (with respect to the euro) covering principal amounts payable on such Indebtedness, the amount of such Indebtedness expressed in euro will be adjusted to take into account the effect of such agreement.

Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Issuer or a Restricted Subsidiary may Incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

Limitation on Restricted Payments

The Issuer will not, and will not permit any Restricted Subsidiary, directly or indirectly, to:

(1) declare or pay any dividend or make any other payment or distribution on or in respect of the Issuer's or any Restricted Subsidiary's Capital Stock (including any payment in connection with any merger or consolidation involving the Issuer or any Restricted Subsidiary) except:

   (a) dividends or distributions payable in Capital Stock of the Issuer (other than Disqualified Stock) or in Subordinated Shareholder Funding;

   (b) dividends or distributions payable to the Issuer or a Restricted Subsidiary (and, in the case of any such Restricted Subsidiary making such dividend or distribution, to holders of its Capital Stock other than the Issuer or another Restricted Subsidiary on no more than a *pro rata* basis); or

   (c) dividends or distributions payable to any Parent to fund interest payments in respect of Indebtedness of such Parent which is Guaranteed by the Issuer or any Restricted Subsidiary or is otherwise considered Indebtedness of the Issuer or any Restricted Subsidiary; *provided* that (x) any net proceeds from such Indebtedness are contributed to the equity of the Issuer or any Restricted Subsidiary in any form or otherwise received (including by way of Indebtedness) by the Issuer or any Restricted Subsidiary and (y) in the case that any net proceeds described in the preceding sub-clause (x) are contributed to the Issuer or a Restricted Subsidiary in the form of Indebtedness, there shall be no double-counting of interest paid on such Indebtedness and any dividends or distributions payable to the relevant Parent to fund interest payments in respect of Indebtedness of such Parent;

(2) purchase, redeem, retire or otherwise acquire for value any Capital Stock of the Issuer or any direct or indirect Parent of the Issuer held by Persons other than the Issuer or a Restricted Subsidiary (other than in exchange for Capital Stock of the Issuer (other than Disqualified Stock));

(3) make any principal payment on, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment, any Subordinated Indebtedness (other than (a) any such payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement or in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case, due within one year of the date of payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement and (b) any Indebtedness Incurred pursuant to clause (3) of the second paragraph of the covenant described under "*—Limitation on Indebtedness*");

(4) make any payment (whether of principal, interest or other amounts) on, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value any Subordinated

Shareholder Funding (other than any payment of interest thereon in the form of additional Subordinated Shareholder Funding) or payments of interest on Subordinated Shareholder Funding resulting from a loan of the net proceeds of Indebtedness contemplated by clause 1(c) above); or

(5) make any Restricted Investment in any Person (each such dividend, distribution, payment, purchase, redemption, repurchase, defeasance, other acquisition, retirement or Restricted Investment referred to in clauses (1) through (5) of this paragraph is referred to herein as a "**Restricted Payment**").

Notwithstanding the foregoing, the Issuer or any Restricted Subsidiary may make Restricted Payments, if at the time the Issuer or such Restricted Subsidiary makes such Restricted Payment:

(a) no Default or Event of Default shall have occurred and be continuing (or would result immediately thereafter therefrom);

(b) the Issuer would have been permitted to Incur at least an additional €1.00 of Indebtedness pursuant to clause (1) of the first paragraph of the covenant described under "*—Limitation on Indebtedness*" after giving effect, on a *pro forma* basis, to such Restricted Payment; and

(c) the aggregate amount of such Restricted Payment and all other Restricted Payments made subsequent to the Issue Date (and not returned or rescinded) (including Permitted Payments (as defined below) permitted below by clauses (5), (10) and (16) of the third paragraph of this covenant, but excluding all other Restricted Payments permitted by the third paragraph of this covenant) would not exceed the sum of (without duplication):

(i) 50% of Consolidated Net Income of the Issuer for the period (treated as one accounting period) from the first day of the fiscal quarter commencing immediately prior to the Issue Date to the end of the most recent fiscal quarter ending prior to the date of such Restricted Payment for which internal consolidated financial statements of the Issuer are available (or, in the case such Consolidated Net Income is a deficit, *minus* 100% of such deficit);

(ii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the fourth paragraph of this covenant) of property or assets or marketable securities, received by the Issuer from the issue or sale of its Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding subsequent to the Issue Date or otherwise contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Issuer subsequent to the Issue Date (other than (w) Subordinated Shareholder Funding or Capital Stock in each case sold to a Subsidiary of the Issuer, (x) Net Cash Proceeds or property or assets or marketable securities received from an issuance or sale of such Capital Stock to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary, (y) Net Cash Proceeds or property or assets or marketable securities to the extent that any Restricted Payment has been made from such proceeds in reliance on clauses (1) or (6) of the third paragraph of this covenant and (z) Excluded Contributions and Parent Debt Contributions);

(iii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the fourth paragraph of this covenant) of property or assets or marketable securities, received by the Issuer or any Restricted Subsidiary from the issuance or sale (other than to the Issuer or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) by the Issuer or any Restricted Subsidiary subsequent to the Issue Date of any Indebtedness that has been converted into or exchanged for Capital Stock of the Issuer (other than Disqualified Stock or Designated Preference Shares) or Subordinated

Shareholder Funding (plus the amount of any cash, and the fair market value (as determined in accordance with the fourth paragraph of this covenant) of property or assets or marketable securities received by the Issuer or any Restricted Subsidiary upon such conversion or exchange) but excluding (x) Disqualified Stock or Indebtedness issued or sold to a Subsidiary of the Issuer, (y) Net Cash Proceeds to the extent that any Restricted Payment has been made from such proceeds in reliance on clauses (1) or (6) of the third paragraph of this covenant and (z) Excluded Contributions and Parent Debt Contributions;

(iv) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the fourth paragraph of this covenant) of property or assets or marketable securities, received by the Issuer or any Restricted Subsidiary from the disposition of any Unrestricted Subsidiary or the disposition or repayment of any Investment constituting a Restricted Payment made after the Issue Date (other than, in each case, to the Issuer or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary);

(v) in the case of the designation of an Unrestricted Subsidiary as a Restricted Subsidiary or all of the assets of such Unrestricted Subsidiary are transferred to the Issuer or a Restricted Subsidiary, or the Unrestricted Subsidiary is merged or consolidated into the Issuer or a Restricted Subsidiary, 100% of such amount received in cash and the fair market value of any property or marketable securities received by the Issuer or any Restricted Subsidiary in respect of such redesignation, merger, consolidation or transfer of assets, excluding the amount of any Investment in such Unrestricted Subsidiary that constituted a Permitted Investment made pursuant to clause (11) of the definition of "Permitted Investment";

(vi) 100% of any dividends or distributions received by the Issuer or a Restricted Subsidiary from an Unrestricted Subsidiary, to the extent that such dividend or distribution does not reduce the amount of Investments outstanding under clauses (11) or (17) of the definition of "Permitted Investment"; and

(vii) €5.0 million.

The foregoing provisions will not prohibit any of the following (collectively, "**Permitted Payments**"):

(1) any Restricted Payment made by exchange (including any such exchange pursuant to the exercise of a conversion right or privilege in connection with which cash is paid in lieu of the issuance of fractional shares pursuant to clause (12) of this paragraph) for, or out of the proceeds of the substantially concurrent sale (other than to a Subsidiary of the Issuer) of, Capital Stock of the Issuer (other than Disqualified Stock or Designated Preference Shares), Subordinated Shareholder Funding or a substantially concurrent contribution to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution or Parent Debt Contribution) of the Issuer; *provided*, *however*, that to the extent so applied, the Net Cash Proceeds, or fair market value (as determined in accordance with the preceding sentence) of property or assets or of marketable securities, from such sale of Capital Stock or Subordinated Shareholder Funding or such contribution will be excluded from clause (c)(ii) of the second paragraph of this covenant;

(2) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness made by exchange for, or out of the proceeds of the substantially concurrent sale of, Refinancing Indebtedness permitted to be Incurred pursuant to the covenant described under "*—Limitation on Indebtedness*" above;

(3) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Disqualified Stock of the Issuer or Preferred Stock of the Issuer or a Restricted Subsidiary

made by exchange for or out of the proceeds of the substantially concurrent sale of Disqualified Stock of the Issuer or Preferred Stock of the Issuer or a Restricted Subsidiary, as the case may be, that, in each case, is permitted to be Incurred pursuant to the covenant described under "*—Limitation on Indebtedness*" above;

(4) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness:

(a) (i) from Net Available Cash to the extent permitted under "*—Limitation on Sales of Assets and Subsidiary Stock*," but only if the Issuer shall have first complied with the terms described under "*—Limitation on Sales of Assets and Subsidiary Stock*" and purchased all Notes tendered pursuant to any offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 100.00% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest;

(b) following the occurrence of a Change of Control (or other similar event described therein as a "**change of control**"), but only (i) if the Issuer shall have first complied with the terms described under "*—Change of Control*" and purchased all Notes tendered pursuant to the offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 101.00% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest; or

(c) consisting of Acquired Indebtedness (other than Indebtedness Incurred (i) to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by the Issuer or a Restricted Subsidiary or any assets are acquired and related liabilities assumed by the Issuer or any Restricted Subsidiary or (ii) otherwise in connection with or contemplation of such transaction or series of transactions) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest and any premium required by the terms of such Acquired Indebtedness;

(5) any dividends paid within 60 days after the date of declaration if at such date of declaration such dividend would have complied with this covenant;

(6) the purchase, repurchase, redemption, defeasance or other acquisition, cancellation or retirement for value of Capital Stock of the Issuer, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof) or the purchase, repurchase, redemption, defeasance or other acquisition, cancellation or retirement for value of profit participation loans or similar instruments of any Parent and loans, advances, dividends or distributions by the Issuer to any Parent to permit any Parent to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Issuer, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof), or payments to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value profit participation loans or similar instruments of any Parent, or payments to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Issuer, any Restricted Subsidiary or any Parent (in each case, including any options, warrants or other rights in respect thereof), in each case from Management Investors; *provided* that such payments, loans, advances, dividends or distributions do not exceed an amount (net of repayments of any such loans or advances) equal to (x) €2.0 million, plus €1.0 million per annum (with any amount unused in any calendar year being carried over to the following years), *plus* (y) the Net Cash Proceeds received by the Issuer and the Restricted Subsidiaries since the Issue Date (including through receipt of proceeds from the issuance or sale of its Capital Stock or Subordinated Shareholder

Funding to a Parent) from, or as a contribution to the equity (in each case under this clause (6), other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Issuer from, the issuance or sale to Management Investors of Capital Stock (including any options, warrants or other rights in respect thereof), plus (z) the Net Cash Proceeds of key man life insurance policies, to the extent such Net Cash Proceeds in (y) and (z) are not included in any calculation under clause (c)(i) or (c)(ii) of the second paragraph under this covenant and are not Excluded Contributions or Parent Debt Contributions; *provided further*, that cancellation of Indebtedness owing to the Issuer or any Restricted Subsidiary from members of management, directors or employees of the Issuer, or any Parent or Restricted Subsidiaries in connection with a repurchase of Capital Stock of the Issuer or any Parent will not be deemed to constitute a Restricted Payment for purposes of this covenant or any other provision of the Indenture;

(7) the declaration and payment of dividends to holders of any class or series of Disqualified Stock, or of any Preferred Stock of a Restricted Subsidiary, Incurred in accordance with the terms of the covenant described under "*—Limitation on Indebtedness*";

(8) purchases, repurchases, redemptions, defeasances or other acquisitions or retirements of Capital Stock deemed to occur upon the exercise of stock options, warrants or other rights in respect thereof if such Capital Stock represents a portion of the exercise price thereof;

(9) dividends, loans, advances or distributions to any Parent or other payments by the Issuer or any Restricted Subsidiary in amounts equal to (without duplication):

   (a) the amounts required for any Parent, without duplication, to pay any Parent Expenses or any Related Taxes; and

   (b) amounts constituting or to be used for purposes of making payments of fees and expenses Incurred (i) in connection with the Refinancing or disclosed in this Offering Memorandum or (ii) to the extent specified in clauses (2), (3), (5), (7) and (11) of the second paragraph under "*—Limitation on Affiliate Transactions*";

(10) so long as no Default or Event of Default has occurred and is continuing (or would result from), Restricted Payments in (i) an aggregate amount outstanding at any time not to exceed the greater of €10.0 million and 9% of Consolidated EBITDA; and (ii) any Restricted Payments, so long as, immediately after giving *pro forma* effect to the payment of such Restricted Payment and the Incurrence of any Indebtedness the net proceeds of which are used to make such Restricted Payment, the Consolidated Net Leverage Ratio shall be no greater than 2.60 to 1.00;

(11) payments by the Issuer, or loans, advances, dividends or distributions to any Parent to make payments, to holders of Capital Stock of the Issuer or any Parent in lieu of the issuance of fractional shares of such Capital Stock, *provided*, *however*, that any such payment, loan, advance, dividend or distribution shall not be for the purpose of evading any limitation of this covenant or otherwise to facilitate any dividend or other return of capital to the holders of such Capital Stock (as determined in good faith by the Board of Directors or a member of senior management of the Issuer or any Parent);

(12) Restricted Payments in an aggregate amount outstanding at any time not to exceed the aggregate amount of Excluded Contributions, or Investments in exchange for or using as consideration Investments previously made under this clause (12);

(13) payment of any Receivables Fees and purchases of Receivables Assets and other assets pursuant to a Receivables Repurchase Obligation in connection with a factoring financing, securitization, Receivables Financing or similar arrangement;

(14) (i) the declaration and payment of dividends to holders of any class or series of Designated Preference Shares of the Issuer issued after the Issue Date; and (ii) the declaration and payment of dividends to any Parent or any Affiliate thereof, the proceeds of which will be used to fund the payment of dividends to holders of any class or series of Designated

Preference Shares of such Parent or Affiliate issued after the Issue Date; *provided* that, in the case of clauses (i) and (ii), the amount of all dividends declared or paid pursuant to this clause (14) shall not exceed the Net Cash Proceeds received by the Issuer or the aggregate amount contributed in cash to the equity (other than through the issuance of Disqualified Stock or, in the case of Designated Preference Shares by such Parent or Affiliate, the issuance of Designated Preference Shares) of the Issuer or contributed as Subordinated Shareholder Funding to the Issuer (in each case, other than through Excluded Contributions and Parent Debt Contributions), as applicable, from the issuance or sale of such Designated Preference Shares; *provided*, *however*, that to the extent so applied, the Net Cash Proceeds from such sale of Designated Preference Shares or such contribution will be excluded from clauses (c)(ii) and (c)(iii) of the second paragraph of this covenant;

(15) dividends or other distributions of Capital Stock, Indebtedness or other securities of Unrestricted Subsidiaries;

(16) so long as no Default or Event of Default has occurred and is continuing (or would result from), the declaration and payment by the Issuer of, or loans, advances, dividends or distributions to any Parent to pay, dividends on the common stock or common equity interests of the Issuer or any Parent following a Public Offering of such common stock or common equity interests, in an amount not to exceed in any fiscal year the greater of (a) 6% of the Net Cash Proceeds received by the Issuer from such Public Offering or contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Issuer or contributed as Subordinated Shareholder Funding to the Issuer (in each case other than through an Excluded Contribution or a Parent Debt Contribution) and (b) following the Initial Public Offering, an amount equal to the greater of (i) 6% of the Market Capitalization and (ii) 6% of the IPO Market Capitalization, *provided* that in the case of (b), after giving *pro forma* effect to such dividends, distributions, loans or advances, the Consolidated Net Leverage Ratio does not exceed 2.85 to 1.0; and

(17) advances or loans to (a) any future, present or former officer, director, employee or consultant of the Issuer or a Restricted Subsidiary or any Parent to pay for the purchase or other acquisition for value of Capital Stock of the Issuer or any Parent (other than Disqualified Stock or Designated Preference Shares), or any obligation under a forward sale agreement, deferred purchase agreement or deferred payment arrangement pursuant to any management equity plan or stock option plan or any other management or employee benefit or incentive plan or other agreement or arrangement or (b) any management equity plan or stock option plan or any other management or employee benefit or incentive plan or unit trust or the trustees of any such plan or trust to pay for the purchase or other acquisition for value of Capital Stock of the Issuer or any Parent (other than Disqualified Stock or Designated Preference Shares); *provided*, *however*, that the total aggregate amount of Restricted Payments made under this clause (17) does not exceed €2.0 million per calendar year.

The amount of all Restricted Payments shall be the fair market value on the date of such Restricted Payment of the asset(s) or securities proposed to be paid, transferred or issued by the Issuer or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment. The fair market value of any cash Restricted Payment shall be its face amount, and the fair market value of any non-cash Restricted Payment shall be determined conclusively by the Issuer or any senior management of the Issuer acting in good faith.

For purposes of determining compliance with this covenant, in the event that a Restricted Payment (or portion thereof) meets the criteria of more than one of the categories of Permitted Payments described in clauses (1) through (17) of the third paragraph of this covenant, or is permitted pursuant to the second paragraph of this covenant and/or one or more of the clauses contained in the definition of "Permitted Investment," the Issuer will be entitled to classify such Restricted Payment or Investment (or portion thereof) on the date of its payment or later reclassify (based on circumstances existing on the date of such reclassification) such Restricted

Payment or Investment (or portion thereof) in any manner that complies with this covenant, including as an Investment pursuant to one of more clauses contained in the definition of "Permitted Investment."

Limitation on Liens

The Issuer will not, and the Issuer will not permit any Restricted Subsidiary to, directly or indirectly, create, Incur or suffer to exist any Lien upon any of its property or assets (including Capital Stock of a Restricted Subsidiary), whether owned on the Issue Date or acquired after that date, or any interest therein or any income or profits therefrom, which Lien is securing any Indebtedness (such Lien, the "**Initial Lien**"), except (a) in the case of any property or asset that does not constitute Collateral, (1) Permitted Liens or (2) Liens on property or assets that are not Permitted Liens if the Notes and all payments due under the Indenture are (subject to the Agreed Security Principles) directly secured equally and ratably with, or prior to (in the case of Liens with respect to Subordinated Indebtedness), the Indebtedness secured by such Initial Lien for so long as such Indebtedness is so secured, and (b) in the case of any property or asset that constitutes Collateral, Permitted Collateral Liens.

Any such Lien created in favor of the Notes will be automatically and unconditionally released and discharged upon (i) the release and discharge of the Initial Lien to which it relates, and (ii) otherwise as set forth under "*—Security—Release of Liens*."

With respect to any Lien securing Indebtedness that was permitted to secure such Indebtedness at the time of the Incurrence of such Indebtedness, such Lien shall also be permitted to secure any Increased Amount of such Indebtedness. The "**Increased Amount**" of any Indebtedness shall mean any increase in the amount of such Indebtedness in connection with any accrual of interest, the accretion of accreted value, the amortization of original issue discount, the payment of interest in the form of additional Indebtedness with the same terms, accretion of original issue discount or liquidation preference and increases in the amount of Indebtedness outstanding solely as a result of fluctuations in the exchange rate of currencies or increases in the value of property securing such Indebtedness.

Limitation on Restrictions on Distributions from Restricted Subsidiaries

The Issuer will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Restricted Subsidiary to:

(1) pay dividends or make any other distributions in cash or otherwise on its Capital Stock or with respect to any other interest or participation in, or measured by, its profits, or pay any Indebtedness or other obligations owed to the Issuer or any Restricted Subsidiary;

(2) make any loans or advances to the Issuer or any Restricted Subsidiary; or

(3) sell, lease or transfer any of its property or assets to the Issuer or any Restricted Subsidiary,

provided that (x) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (y) the subordination of (including the application of any standstill requirements to) loans or advances made to the Issuer or any Restricted Subsidiary to other Indebtedness Incurred by the Issuer or any Restricted Subsidiary shall not be deemed to constitute such an encumbrance or restriction.

The provisions of the preceding paragraph will not prohibit:

(1) any encumbrance or restriction pursuant to (a) any Credit Facility (including the Revolving Credit Facility), (b) the Indenture, the Notes, the Intercreditor Agreement, any Additional Intercreditor Agreement or the Security Documents, or (c) any other agreement or instrument, in each case in effect at or entered into on the Issue Date after giving *pro forma* effect to the Transactions;

(2) any encumbrance or restriction pursuant to an agreement or instrument of a Person or relating to any Capital Stock or Indebtedness of a Person, entered into on or before the date on which such Person was acquired by or merged, consolidated or otherwise combined with or into the Issuer or any Restricted Subsidiary, or on which such agreement or instrument is assumed by the Issuer or any Restricted Subsidiary in connection with an acquisition of assets (other than Capital Stock or Indebtedness Incurred as consideration in, or to provide all or any portion of the funds utilized to consummate, the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was acquired by the Issuer or was merged, consolidated or otherwise combined with or into the Issuer or any Restricted Subsidiary) and outstanding on such date; *provided* that, for the purposes of this clause (2), if another Person is the Successor Issuer (as defined below), the Successor Issuer or the Successor Guarantor (each as defined under "*—Merger and Consolidation*"), any Subsidiary thereof or agreement or instrument of such Person or any such Subsidiary shall be deemed acquired or assumed by the Issuer or any Restricted Subsidiary when such Person becomes the Successor Issuer or the Successor Guarantor;

(3) any encumbrance or restriction pursuant to an agreement or instrument effecting a refinancing of Indebtedness Incurred pursuant to, or that otherwise refinances, an agreement or instrument referred to in clauses (1) or (2) of this paragraph or this clause (3) (an "**Initial Agreement**") or contained in any amendment, supplement or other modification to an agreement referred to in clauses (1) or (2) of this paragraph or this clause (3); *provided*, *however*, that the encumbrances and restrictions with respect to such Restricted Subsidiary contained in any such agreement or instrument are (i) no less favorable in any material respect to the Holders taken as a whole than the encumbrances and restrictions contained in the Initial Agreement or Initial Agreements to which such refinancing or amendment, supplement or other modification relates (as determined in good faith by the Board of Directors or a member of senior management of the Issuer or any Parent) or (ii) customary in comparable financings and where, in the case of this sub-clause (ii), the Issuer determines at the time of Incurrence of such Indebtedness that such encumbrances or restrictions would not adversely affect, in any material respect, the Issuer's ability to make principal or interest payments on the Notes (as determined in good faith by the Board of Directors or a member of senior management of the Issuer or any Parent);

(4) any encumbrance or restriction:

(a) that restricts in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease, license or similar contract, or the assignment or transfer of any lease, license or other contract;

(b) contained in mortgages, charges, pledges, hypothecs or other security agreements permitted under the Indenture or securing Indebtedness of the Issuer or a Restricted Subsidiary permitted under the Indenture to the extent such encumbrances or restrictions restrict the transfer of the property or assets subject to such mortgages, charges, pledges hypothecs or other security agreements; or

(c) pursuant to customary provisions restricting dispositions of real property interests set forth in any reciprocal easement agreements of the Issuer or any Restricted Subsidiary;

(5) any encumbrance or restriction pursuant to Purchase Money Obligations and Lease Obligations permitted under the Indenture, in each case, that impose encumbrances or restrictions on the property so acquired in the nature of sub-clause (c) of clause (4) of this paragraph, or any encumbrance or restriction pursuant to a joint venture agreement that imposes restrictions on the distribution or transfer of the assets or Capital Stock of the joint venture;

(6) any encumbrance or restriction with respect to a Restricted Subsidiary (or any of its property or assets) imposed pursuant to an agreement entered into for the direct or indirect sale or disposition to a Person of all or substantially all the Capital Stock or assets of such Restricted

Subsidiary (or the property or assets that are subject to such restriction) pending the closing of such sale or disposition;

(7) customary provisions in leases, licenses, joint venture agreements and other similar agreements and instruments entered into in the ordinary course of business;

(8) encumbrances or restrictions arising or existing by reason of applicable law or any applicable rule, regulation or order, or required by any regulatory authority;

(9) any encumbrance or restriction on cash or other deposits or net worth imposed by customers under agreements entered into in the ordinary course of business;

(10) any encumbrance or restriction in respect of Hedging Obligations;

(11) any encumbrance or restriction arising pursuant to an agreement or instrument (a) relating to any Indebtedness permitted to be Incurred subsequent to the Issue Date pursuant to the provisions of the covenant described under "*—Limitation on Indebtedness*" if the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially less favorable to the Holders than (i) the encumbrances and restrictions contained in the Revolving Credit Facility, the Notes or the Indenture, together with the Security Documents associated therewith, and the Intercreditor Agreement, in each case, as in effect on the Issue Date or (ii) as is customary in comparable financings (as determined in good faith by the Board of Directors or a member of senior management of the Issuer or any Parent) or (b) constituting an Additional Intercreditor Agreement;

(12) any encumbrance or restriction effected in connection with a Qualified Receivables Financing that, in good faith determination of the Board of Directors or a member of senior management of the Issuer or any Parent are customarily Incurred in connection with a Qualified Receivables Financing and that are necessary or advisable to effect such Qualified Receivables Financing; or

(13) any encumbrance or restriction existing by reason of any lien permitted under "*—Limitation on Liens*."

Limitation on Sales of Assets and Subsidiary Stock

The Issuer will not, and will not permit any Restricted Subsidiary to, consummate any Asset Disposition unless:

(1) the consideration the Issuer or such Restricted Subsidiary receives for such Asset Disposition is not less than the fair market value of the Capital Stock, property or other assets subject to such Asset Disposition (as determined by the Board of Directors or an Officer of the Issuer); and

(2) at least 75% of the consideration the Issuer or such Restricted Subsidiary receives in respect of such Asset Disposition consists of:

  (a) cash (including any Net Available Cash received from the conversion within 180 days of such Asset Disposition of securities, notes or other obligations received in consideration of such Asset Disposition);

  (b) Cash Equivalents;

  (c) the assumption by the purchaser of (x) any liabilities recorded on the Issuer's or a Restricted Subsidiary's balance sheet or the notes thereto (or, if Incurred since the date of the latest balance sheet, that would be recorded on the next balance sheet) (other than Subordinated Indebtedness), as a result of which neither the Issuer nor any of the Restricted Subsidiaries remains obligated in respect of such liabilities or (y) Indebtedness (other than Subordinated Indebtedness and Indebtedness owed to the Issuer or any Restricted Subsidiary) of a Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Disposition, if the Issuer and each other Restricted Subsidiary is released from any Guarantee of such Indebtedness as a result of such Asset Disposition;

(d) Replacement Assets;

(e) any Capital Stock or assets of the kind referred to in clause (4) or (6) in the second paragraph of this covenant;

(f) consideration consisting of Indebtedness of the Issuer or any Guarantor received from Persons who are not the Issuer or any Restricted Subsidiary, but only to the extent that such Indebtedness (i) has been extinguished by the Issuer or the applicable Guarantor, and (ii) is not Subordinated Indebtedness of the Issuer or such Guarantor;

(g) any Designated Non-Cash Consideration received by the Issuer or any Restricted Subsidiary, having an aggregate fair market value, taken together with all other Designated Non-Cash Consideration received pursuant to this covenant that is at any one time outstanding, not to exceed the greater of €15.0 million and 13% of Consolidated EBITDA (with the fair market value of each issue of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value); or

(h) a combination of the consideration specified in sub-clauses (a) through (g) of this clause (2).

If the Issuer or any Restricted Subsidiary consummates an Asset Disposition, the Net Available Cash of the Asset Disposition, within 365 days (or 545 days in the circumstances described in clause (8) below) of the later of (i) the date of the consummation of such Asset Disposition and (ii) the receipt of such Net Available Cash, may be used by the Issuer or such Restricted Subsidiary, as applicable, to:

(1) (i) prepay, repay, purchase or redeem (including through open market purchases, voluntary tender offers or privately negotiated transactions at market prices) any Indebtedness (including refinancing Indebtedness) Incurred under clause (1) of the second paragraph of the covenant described under "*—Limitation on Indebtedness*"; (ii) unless included in the preceding clause (1)(i), prepay, repay, purchase or redeem (a) the Notes (including through open market purchases, voluntary tender offers or privately negotiated transactions at market prices) and/or (b) Indebtedness (other than the Notes, Subordinated Indebtedness or Indebtedness owed to the Issuer or any Restricted Subsidiary) that is secured by a Lien on the Collateral on a *pari passu* basis with the Notes (including Indebtedness that, pursuant to the Intercreditor Agreement or any Additional Intercreditor Agreement has priority status in respect of the proceeds from the enforcement of the Collateral) at a price of no more than 100% of the principal amount of such Indebtedness, plus accrued and unpaid interest to the date of such prepayment, repayment, purchase or redemption; or (iii) prepay, repay, purchase or redeem (including through open market purchases, voluntary tender offers or privately negotiated transactions at market prices) any Indebtedness of a Restricted Subsidiary that is not a Guarantor or any Indebtedness that is secured by Liens on assets which do not constitute Collateral (in each case other than Subordinated Indebtedness of the Issuer or a Guarantor or Indebtedness owed to the Issuer or any Restricted Subsidiary); *provided*, *however*, that in connection with the prepayment, repayment or purchase of Indebtedness (other than the Notes or any revolving Indebtedness (including, for the avoidance of doubt, under the Revolving Credit Facility)), the Issuer or such Restricted Subsidiary will retire such Indebtedness and will cause the related commitments (if any) to be reduced in an amount equal to the principal amount so prepaid, repaid or purchased; *provided, further*, that the Issuer shall prepay, repay, purchase or redeem Public Debt (other than the Notes) pursuant to clause (ii) only if the Issuer either (a) reduces the aggregate principal amount of the Notes on an equal and ratable basis with any such Indebtedness by purchasing the Notes through open market purchases or in privately negotiated transactions at market prices or (b) makes (at such time or in compliance with this covenant) an offer to Holders to purchase their Notes in accordance with the provisions set forth below for an Asset Disposition Offer for an aggregate principal amount of Notes equal to the proportion that (x) the total aggregate principal amount of Notes outstanding bears to (y) the sum total

aggregate principal amount of the Notes outstanding plus the total aggregate principal amount outstanding of such Indebtedness (other than the Notes);

(2) purchase Notes pursuant to an offer to all Holders at a purchase price in cash equal to at least 100% of the principal amount thereof, plus accrued and unpaid interest thereon and Additional Amounts, if any, to, but not including, the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided*, *however*, that to the extent the Issuer or any Restricted Subsidiary has elected to purchase any amount of the Notes at a price not less than par, to the extent Holders elect not to tender their Notes for such purchase, the Issuer will be deemed to have applied an amount of Net Available Cash equal to such amount not tendered, and such amount shall not increase the amount of Excess Proceeds;

(3) invest in any Replacement Assets;

(4) acquire all or substantially all of the assets of, or any Capital Stock of, another Similar Business, if, after giving effect to any such acquisition of Capital Stock, the Similar Business becomes a Restricted Subsidiary;

(5) make a capital expenditure;

(6) acquire other assets (other than Capital Stock and cash or Cash Equivalents) that are used or useful in a Similar Business;

(7) consummate any combination of the foregoing; or

(8) enter into a binding commitment to apply the Net Available Cash pursuant to clauses (1) through (6) of this paragraph or a combination thereof; *provided* that a binding commitment shall be treated as a permitted application of the Net Available Cash from the date of such commitment until the earlier of (x) the date on which such investment is consummated and (y) the 180th day following the expiration of the aforementioned 365-day period, if the investment has not been consummated by that date.

The amount of such Net Available Cash not so used as set forth in the preceding paragraph constitutes "**Excess Proceeds**." Pending the final application of any such Net Available Cash, the Issuer may temporarily reduce revolving credit borrowings or otherwise invest such Net Available Cash in any manner that is not prohibited by the terms of the Indenture.

On the 366th day (or the 546th day, if a binding commitment as described in clause (8) above has been entered into) after an Asset Disposition, or at such earlier time if the Issuer elects, if the aggregate amount of Excess Proceeds exceeds €20.0 million, the Issuer will be required within 10 Business Days thereof to make an offer ("**Asset Disposition Offer**") to all Holders and, to the extent the Issuer elects, to all holders of other outstanding *Pari Passu* Indebtedness, to purchase the maximum principal amount of Notes and any such *Pari Passu* Indebtedness to which the Asset Disposition Offer applies that may be purchased out of the Excess Proceeds, at an offer price in respect of the Notes in an amount equal to (and, in the case of any *Pari Passu* Indebtedness, an offer price of no more than) 100% of the principal amount of the Notes and 100% of the principal amount of *Pari Passu* Indebtedness, in each case, plus accrued and unpaid interest thereon and Additional Amounts, if any, to, but not including, the date of purchase, in accordance with the procedures set forth in the Indenture or the agreements governing the *Pari Passu* Indebtedness, as applicable, in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof*; provided* that Notes of €100,000 or less may only be purchased in whole and not in part.

To the extent that the aggregate amount of Notes and *Pari Passu* Indebtedness so validly tendered and not properly withdrawn pursuant to an Asset Disposition Offer is less than the Excess Proceeds, the Issuer may use any remaining Excess Proceeds for general corporate purposes, subject to other covenants contained in the Indenture. If the aggregate principal amount of the Notes surrendered in any Asset Disposition Offer by Holders and other *Pari Passu*

Indebtedness surrendered by holders or lenders, collectively, exceeds the amount of Excess Proceeds, the Excess Proceeds shall be allocated among the Notes and *Pari Passu* Indebtedness to be repaid or purchased on a *pro rata* basis on the basis of the aggregate principal amount of tendered Notes and *Pari Passu* Indebtedness. For the purposes of calculating the principal amount of any such Indebtedness not denominated in euro, such Indebtedness shall be calculated by converting any such principal amounts into their euro equivalent determined as of a date selected by the Issuer that is within the Asset Disposition Offer Period (as defined below). Upon completion of any Asset Disposition Offer, the amount of Excess Proceeds shall be reset at zero.

To the extent that any portion of Net Available Cash payable in respect of the Notes is denominated in a currency other than the currency in which the relevant Notes are denominated, the amount thereof payable in respect of such Notes shall not exceed the net amount of funds in the currency in which such Notes are denominated that is actually received by the Issuer upon converting such portion of the Net Available Cash into such currency.

The Asset Disposition Offer, in so far as it relates to the Notes, will remain open for a period of not less than 20 Business Days following its commencement (the "**Asset Disposition Offer Period**"). No later than five Business Days after the termination of the Asset Disposition Offer Period (the "**Asset Disposition Purchase Date**"), the Issuer will purchase the principal amount of Notes and, to the extent it elects, *Pari Passu* Indebtedness required to be repaid or purchased by it pursuant to this covenant (the "**Asset Disposition Offer Amount**") or, if less than the Asset Disposition Offer Amount has been so validly tendered, all Notes and *Pari Passu* Indebtedness validly tendered in response to the Asset Disposition Offer.

On or before the Asset Disposition Purchase Date, the Issuer will, to the extent lawful, accept for payment, on a *pro rata* basis to the extent necessary, the Asset Disposition Offer Amount of Notes and *Pari Passu* Indebtedness or portions of Notes and *Pari Passu* Indebtedness so validly tendered and not properly withdrawn pursuant to the Asset Disposition Offer, or if less than the Asset Disposition Offer Amount has been validly tendered and not properly withdrawn, all Notes and *Pari Passu* Indebtedness so validly tendered and not properly withdrawn and in minimum denominations of €100,000 (*provided* that Notes of €100,000 or less may only be redeemed in whole and not in part) and in integral multiples of €1,000 in excess thereof. The Issuer will deliver to the Trustee an Officer's Certificate stating that such Notes or portions thereof were accepted for payment by the Issuer in accordance with the terms of this covenant. The Issuer or the Paying Agent, as the case may be, will promptly (but in any case not later than five Business Days after termination of the Asset Disposition Offer Period) mail or deliver to each tendering Holder an amount equal to the purchase price of the Notes so validly tendered and not properly withdrawn by such Holder, and accepted by the Issuer for purchase, and the Issuer will promptly issue a new Note (or amend the applicable Global Note), and the Trustee (or an authenticating agent), upon delivery of an Officer's Certificate from the Issuer, will authenticate and mail or deliver (or cause to be transferred by book entry) such new Note to such Holder, in a principal amount equal to any unpurchased portion of the Note surrendered; *provided* that each such new Note will be in a principal amount with a minimum denomination of €100,000. Any Note not so accepted will be promptly mailed or delivered (or transferred by book entry) by the Issuer to the Holder thereof.

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to the Indenture. To the extent that the provisions of any securities laws or regulations conflict with provisions of this covenant, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of such compliance.

The Issuer or a Restricted Subsidiary, as the case may be, may make an Asset Disposition offer prior to the expiration of the 365-day (or 545-day, as applicable) period mentioned in this covenant.

Limitation on Affiliate Transactions

The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into or conduct any transaction or series of related transactions (including the purchase, sale, lease or exchange of any property or the rendering of any service) with any Affiliate of the Issuer (any such transaction or series of related transactions being an "**Affiliate Transaction**") involving aggregate value in excess of €5.0 million unless:

(1) the terms of such Affiliate Transaction taken as a whole are not materially less favorable to the Issuer or such Restricted Subsidiary, as the case may be, than those that could be obtained in a comparable transaction at the time of such transaction or the execution of the agreement providing for such transaction in arm's-length dealings with a Person who is not such an Affiliate; and

(2) in the event such Affiliate Transaction involves an aggregate value in excess of €15.0 million, the terms of such transaction or series of related transactions have been approved or ratified by a resolution of the majority of the members of the Board of Directors of the Issuer resolving that such transaction complies with clause (1) above.

The provisions of the preceding paragraph will not apply to:

(1) any Restricted Payment or Permitted Payment permitted to be made pursuant to the covenant described under "*—Limitation on Restricted Payments*" (other than pursuant to clause (9)(b)(ii) of the third paragraph of the covenant described under "*—Limitation on Restricted Payments*") and any agreement related to such Restricted Payments or Permitted Payments or any Permitted Investment (other than Permitted Investments as defined in clauses (1)(b), (2), (11) and (14) of the definition thereof);

(2) any issuance or sale of Subordinated Shareholder Funding, Capital Stock, options, other equity-related investments or other warrants or securities or right to purchase Capital Stock, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, or entering into, or maintenance of, any employment, consulting, collective bargaining or benefit plan, program, agreement or arrangement, related trust or other similar agreement and other compensation arrangements, restricted stock plans, long-term incentive plans, stock appreciation rights plans, participation plans or similar employee benefits or consultants' plans (including valuation, health, insurance, deferred compensation, severance, retirement, savings or similar plans, programs or arrangements) or indemnities provided on behalf of officers, employees, directors or consultants approved or ratified by the Board of Directors of the Issuer;

(3) any Management Advances, and any waiver or transaction with respect thereto, or Parent Expenses;

(4) any transaction between or among the Issuer and any Restricted Subsidiary (or with an entity that is not an Affiliate that becomes a Restricted Subsidiary as a result of such transaction), or between or among Restricted Subsidiaries or any Receivables Subsidiary;

(5) the payment of reasonable fees and reimbursement of expenses to, and customary indemnities and employee benefit and pension expenses provided on behalf of, directors, officers, consultants or employees of the Issuer, any Restricted Subsidiary or any Parent (whether directly or indirectly and including through any Person owned or controlled by any of such directors, officers or employees);

(6) (i) the Transactions, (ii) the entry into and performance of obligations of the Issuer or any Restricted Subsidiary under the terms of any transaction pursuant to or contemplated by, and any payments pursuant to or for purposes of funding, any agreement or instrument in effect as of or on the Issue Date, including but not limited to transactions that are described in "*Related Party Transactions*" in the Offering Memorandum, as these agreements and instruments may be amended, modified, supplemented, extended, renewed, replaced or refinanced from time to time in accordance with the other terms of this covenant or to the

extent not more disadvantageous to the Holders in any material respect (as determined in good faith by the senior management or the Board of Directors of the Issuer or any Parent of the Issuer), and (iii) the entry into and performance of any registration rights or other listing agreement;

(7) the execution, delivery and performance of any Tax Sharing Agreement or any arrangement pursuant to which the Issuer or any Restricted Subsidiary is required or permitted to file a consolidated tax return, or the formation and maintenance of any consolidated group for tax, accounting or cash pooling or management purposes in the ordinary course of business;

(8) transactions with customers, clients, Associates (including joint venture partners), suppliers or purchasers or sellers of goods or services, lessors or lessees of property or providers of employees or other labor, in each case in the ordinary course of business and otherwise in compliance with the terms of the Indenture that are which are fair to the Issuer or the relevant Restricted Subsidiary in the reasonable determination of the Board of Directors or an Officer of the Issuer or the relevant Restricted Subsidiary, or are on terms no less favorable than those that could reasonably have been obtained at such time from an unaffiliated party;

(9) any transaction between or among the Issuer or any Restricted Subsidiary and any Affiliate of the Issuer (other than an Unrestricted Subsidiary) or an Associate or similar entity, including any joint venture, that would constitute an Affiliate Transaction solely because the Issuer or a Restricted Subsidiary owns an equity interest in or otherwise controls such Affiliate, Associate or similar entity;

(10) (a) issuances or sales of Capital Stock (other than Disqualified Stock or Designated Preference Shares) of the Issuer or options, warrants or other rights to acquire such Capital Stock, or Subordinated Shareholder Funding; *provided* that the interest rate and other financial terms of such Subordinated Shareholder Funding are approved by a majority of the members of the Board of Directors of the Issuer in their reasonable determination and (b) any amendment, waiver or other transaction with respect to any Subordinated Shareholder Funding in compliance with the other provisions of the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement, as applicable;

(11) (a) payments by the Issuer or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent) of annual management, consulting, monitoring or advisory fees and related expenses in an aggregate amount not to exceed the greater of €3.0 million and 2.6% of Consolidated EBITDA per annum and, in each case, related expenses and indemnities; and (b) customary payments by the Issuer or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent) for financial advisory, financing, underwriting or placement services or in respect of other investment banking activities, including in connection with loans, capital market transactions, acquisitions or divestitures, joint ventures or other investments, which payments (or agreements providing for such payments) in respect of this clause (11)(b) are approved by a majority of the Board of Directors of the Issuer in good faith;

(12) any transactions in respect of which the Issuer or a Restricted Subsidiary delivers to the Trustee a letter from an Independent Financial Advisor stating that such transaction is (i) fair to the Issuer or such Restricted Subsidiary from a financial point of view or (ii) on terms not less favorable than might have been obtained in a comparable transaction at such time on an arm's-length basis from a Person who is not an Affiliate;

(13) any contribution to the equity of the Issuer in exchange for Capital Stock (other than Disqualified Stock and Preferred Stock) or any investments by any of the Permitted Holders in securities of any Restricted Subsidiary (and the payment of reasonable out-of-pocket expenses of the Permitted Holders in connection therewith);

(14) pledges of Capital Stock of Unrestricted Subsidiaries;

(15) any transaction effected as part of a Qualified Receivables Financing;

(16) Investments by Affiliates in Indebtedness or Preferred Stock of the Issuer or any of its Subsidiaries, so long as (i) the investment complies with clause (1) of the preceding paragraph, (ii) non-Affiliates were also offered the opportunity to invest in such Indebtedness or Preferred Stock on the same or more favorable terms and (iii) in the case of securities, the investment constitutes less than 5% of the issue amount of such securities, and transactions with Affiliates solely in their capacity as holders of Indebtedness or Preferred Stock of the Issuer or any of its Subsidiaries, so long as such transaction is with all holders of such class (and there are such non-Affiliate holders) and such Affiliates are treated no more favorably than all other holders of such class generally; and

(17) any transaction effected as part of or in connection with a Permitted Reorganization or in connection with an Initial Public Offering and in accordance with the Intercreditor Agreement or any Additional Intercreditor Agreement.

Reports

So long as any Notes are outstanding, the Issuer will provide to Holder and the Trustee the following reports:

(1) within 120 days after the end of each of the Issuer's fiscal years beginning with the fiscal year ending December 31, 2020, (a) annual reports containing: (i) information with a level and type of detail that is substantially comparable in all material respects to information in the sections entitled "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Business*" in this Offering Memorandum; (ii) unaudited *pro forma* income statement and balance sheet information of the Issuer together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year as to which such annual report relates (unless such *pro forma* information has been provided in a previous report pursuant to clause 2(b) or (2)(c) below); *provided* that such *pro forma* financial information will be provided only to the extent available without unreasonable expense or burden, in which case the Issuer will provide, in the case of a material acquisition, acquired company financials; and (iii) the audited consolidated balance sheet of the Issuer as of the end of the most recent two fiscal years and audited consolidated income statements and statements of cash flow of the Issuer for the most recent two fiscal years, including appropriate footnotes to such financial statements, for and as of the end of such fiscal years and the report of the independent auditors on the financial statements; (b) a description of the management and shareholders of the Issuer, all material affiliate transactions and a description of all material debt instruments; (c) a description of material operational risk factors and material subsequent events; and (d) Consolidated EBITDA; *provided* that the information described in clauses (b), (c) and (d) may be provided in the footnotes to the audited financial statements;

(2) within 60 days following the end of each of the first three fiscal quarters in each fiscal year of the Issuer, beginning with the fiscal quarter ending March 31, 2021, quarterly financial statements containing the following information: (a) the Issuer's unaudited condensed consolidated balance sheet as of the end of such quarter and unaudited condensed statements of income and cash flow for the most recent quarter year to date period ending on the unaudited condensed balance sheet date and the comparable prior period, together with condensed footnote disclosure; (b) unaudited *pro forma* income statement and balance sheet information of the Issuer, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year as to which such quarterly report relates; *provided* that such *pro forma* financial information will be provided only to the extent available without unreasonable expense or burden, in which case the Issuer will provide, in the case of a material acquisition, acquired company financials; (c) an operating and financial review of the unaudited financial statements; and (d) any material recent developments; and

(3) promptly after the occurrence of a material event that the Issuer announces publicly or any acquisition, disposition or restructuring, merger or similar transaction that is material to the Issuer and the Restricted Subsidiaries, taken as a whole, or a senior executive officer or director changes at the Issuer or a change in auditors of the Issuer, a report containing a description of such event.

In addition, the Issuer shall furnish to the Holders and to prospective investors, upon the request of such parties, any information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act for so long as the Notes are not freely transferable under the Securities Act.

The Issuer shall be deemed to satisfy its obligations to furnish a report to the Holders pursuant to this covenant by making such report available on its website (or a website of a Parent). The Issuer will also provide copies of all reports required by clauses (1) through (3) of the first paragraph of this covenant, if and for so long as the Notes are listed on the Official List of Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market thereof and to the extent that the rules and regulations of the Luxembourg Stock Exchange so require, copies of such reports furnished to the Holders will also be posted to the website of the Luxembourg Stock Exchange.

All financial statement information shall be prepared in accordance with IFRS as in effect on the date of such report or financial statement and on a consistent basis for the periods presented, except as may otherwise be described in such information; *provided*, *however*, that the reports set forth in clauses (1), (2) and (3) above may, in the event of a change in IFRS, present earlier periods on a basis that applied to such periods. Except as provided below, no report need include separate financial statements for the Issuer or any Subsidiaries of the Issuer or any disclosure with respect to the results of operations or any other financial or statistical disclosure not of a type included in this Offering Memorandum. In addition, the reports set forth above will not be required to contain any reconciliation to U.S. GAAP.

For purposes of this covenant, an acquisition or disposition shall be deemed to be material if the entity or business acquired or disposed of represents greater than 20% of the Issuer's (a) total revenue or Consolidated EBITDA for the most recently-completed four full consecutive fiscal quarters for which annual or quarterly financial reports have been furnished to Holders or (b) consolidated assets as of the last day of the most recently-completed fiscal quarter for which annual or quarterly financial reports have been furnished to Holders.

At any time that any of the Issuer's Subsidiaries are Unrestricted Subsidiaries and any such Unrestricted Subsidiary or a group of Unrestricted Subsidiaries, taken as a whole, constitutes a Significant Subsidiary of the Issuer, then the quarterly and annual financial information required by the first paragraph of this "*Reports*" will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Issuer and the Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Issuer.

In the event that (i) the Issuer or any Parent becomes subject to the reporting requirements of Section 13(a) or 15(d) of the Exchange Act, or elects to comply with such provisions, for so long as it continues to file the reports required by Section 13(a) with the SEC or (ii) the Issuer elects to provide to the Holders reports which, if filed with the SEC, would satisfy (in the good faith judgment of the Issuer) the reporting requirements of Section 13(a) or 15(d) of the Exchange Act (other than the provision of U.S. GAAP information, certifications, exhibits or information as to internal controls and procedures), for so long as it elects, the Issuer will make available to the Holders such annual reports, information, documents and other reports that the Issuer or such Parent, as applicable, is, or would be, required to file with the SEC pursuant to such Section 13(a) or 15(d).

The Issuer may comply with any requirement to provide reports or financial statements under this covenant by providing any report or financial statements of a direct or indirect Parent of the Issuer (if such entity is different from the Issuer) so long as such reports (if an annual or quarterly report) (a) meet the requirements (including as to content and time of delivery) of clause (1) and

(2) of this covenant as if references to the Issuer therein were references to such Parent and (b) include condensed consolidated financial information together with separate columns for: (i) such Parent; (ii) the Issuer and the Restricted Subsidiaries on a combined basis; (iii) any other Subsidiaries of the Issuer on a combined basis; (iv) consolidating adjustments; and (v) the total consolidated amounts. Upon complying with the foregoing requirement, the Issuer will be deemed to have complied with the provisions contained in the preceding paragraphs.

Additionally, in the event that, and for so long as, the equity securities of the Issuer or any Parent or IPO Entity are listed on a Recognized Exchange and the Issuer or such Parent or IPO Entity is subject to the admission and disclosure standards applicable to issuers of equity securities admitted to trading on such Recognized Exchange, for so long as it elects, the Issuer will make available to the Holders such annual reports, information, documents and other reports that the Issuer or such Parent or IPO Entity is, or would be, required to file with such Recognized Exchange pursuant to the applicable admission and disclosure standards. Upon complying with the foregoing requirements, and *provided*, that such requirements require the Issuer or any Parent or IPO Entity to prepare and file annual reports, information, documents and other reports with such Recognized Exchange, as applicable, the Issuer will be deemed to have complied with the provisions contained in the preceding paragraphs; *provided further*, that if such Recognized Stock Exchange does not require the Issuer or any direct or indirect parent of the Issuer or IPO Entity to prepare and file quarterly reports with such Recognized Stock Exchange or report EBITDA on a quarterly basis, the Issuer shall additionally provide the reports set forth in clause (2) of the first paragraph of this covenant and report EBITDA on a quarterly basis.

All reports provided pursuant to this "*Reports*" covenant shall be made in the English language.

Merger and Consolidation

The Issuer

The Issuer will not, directly or indirectly, consolidate with or merge with or into, or assign, convey, transfer, lease, sell or otherwise dispose all or substantially all its assets as an entirety or substantially as an entirety, in one transaction or a series of related transactions to, any Person, unless:

(1) either the Issuer is the surviving entity or the resulting, surviving or transferee Person (the "**Successor Issuer**") will be a Person organized and existing under the laws of any member state of the European Union, the United Kingdom, any State of the United States of America or the District of Columbia, Canada or any province of Canada, Norway or Switzerland and the Successor Issuer (if not the Issuer) will expressly assume, (a) by supplemental indenture, executed and delivered to the Trustee, in a form reasonably satisfactory to the Trustee, all the obligations of the Issuer under the Notes and the Indenture and (b) all obligations of the Issuer under the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents, as applicable;

(2) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Issuer or any Subsidiary of the Successor Issuer as a result of such transaction as having been Incurred by the Successor Issuer or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction, either (a) the Issuer or the Successor Issuer, as applicable, would be able to Incur at least an additional €1.00 of Indebtedness pursuant to clause (1) of the first paragraph of the covenant described under "*—Limitation on Indebtedness*" or (b) the Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving effect to such transaction; and

(4) the Issuer or the Successor Issuer, as applicable, shall have delivered to the Trustee (a) an Officer's Certificate and an Opinion of Counsel, each to the effect that such consolidation,

merger or transfer and such supplemental indenture (if any) comply with the terms of the Indenture and (b) an Opinion of Counsel to the effect that in the case of the Successor Issuer, such supplemental indenture (if any) has been duly authorized, executed and delivered and is a legal, valid and binding agreement enforceable against the Successor Issuer (in each case, in form and substance reasonably satisfactory to the Trustee); *provided* that in giving an Opinion of Counsel, counsel may rely on an Officer's Certificate as to any matters of fact.

Any Indebtedness that becomes an obligation of the Issuer or any Restricted Subsidiary (or that is deemed to be Incurred by any Restricted Subsidiary that becomes a Restricted Subsidiary) as a result of any such transaction undertaken in compliance with this covenant, and any Refinancing Indebtedness with respect thereto, shall be deemed to have been Incurred in compliance with the covenant described under "*—Limitation on Indebtedness.*"

For purposes of this covenant, the sale, lease, conveyance, assignment, transfer, or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Issuer, which properties and assets, if held by the Issuer instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Issuer on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Issuer.

The Successor Issuer will succeed to, and be substituted for, and may exercise every right and power of, the Issuer under the Indenture but in the case of a lease of all or substantially all its assets, the predecessor Person will not be released from its obligations under the Indenture or the Notes.

There is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

The foregoing provisions (other than the requirements of clause (2) of the first paragraph of this "*—Merger and Consolidation—The Issuer*" covenant) shall not apply to (i) any transactions which constitute an Asset Disposition if the Issuer has complied with the covenant described under "*—Limitation on Sales of Assets and Subsidiary Stock*" or (ii) the creation of a new Subsidiary as a Restricted Subsidiary.

Guarantor

No Guarantor (other than a Guarantor whose Notes Guarantee is to be released in accordance with the terms of the Indenture or the Intercreditor Agreement substantially concurrently with such consolidation, merger, sale, assignment, conveyance, transfer, lease or other disposition) will, directly or indirectly, consolidate with or merge with or into, or assign, convey, transfer, lease, sell or otherwise dispose of all or substantially all its assets as an entirety or substantially as an entirety, in one transaction or a series of related transactions to, any Person, unless:

(1) the other Person is the Issuer or, in the case of a Guarantor, any Restricted Subsidiary that is a Guarantor or becomes a Guarantor substantially concurrently with such consolidation, merger, sale, assignment, conveyance, transfer, lease, sell or other disposition;

(2) (a) either (x) a Guarantor is the continuing Person or (y) the resulting, surviving or transferee Person expressly assumes all of the obligations of the Guarantor under its Notes Guarantee and the Indenture (pursuant to a supplemental indenture executed and delivered in a form reasonably satisfactory to the Trustee) and all obligations of the Guarantor under the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents, as applicable (such resulting, surviving or transferee Person, the "**Successor Guarantor**"); and (b) immediately after giving effect to the transaction, no Default or Event of Default shall have occurred and is continuing; or

(3) the transaction constitutes a sale or other disposition (including by way of consolidation or merger) of a Guarantor or the sale or disposition of all or substantially all the assets of a

Guarantor (in each case other than to the Issuer or a Restricted Subsidiary) otherwise permitted by the Indenture,

provided, however, that the prohibition in clauses (1) or (2)(a) shall not apply to the extent that compliance therewith could give rise to or result in: (1) any breach or violation of statutory limitations, corporate benefit, financial assistance, fraudulent preference, thin capitalization rules, capital maintenance rules, guidance and coordination rules or the laws rules or regulations (or analogous restriction) of any applicable jurisdiction; (2) any risk or liability for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); or (3) any cost, expense, liability or obligation (including with respect to any Taxes) other than reasonable out-of-pocket expenses.

The provisions set forth in this "*Merger and Consolidation*" covenant shall not restrict (and shall not apply to): (i) any Restricted Subsidiary that is not the Issuer or a Guarantor from consolidating with, merging or liquidating into or transferring all or substantially all of its properties and assets to the Issuer, a Guarantor or any other Restricted Subsidiary that is not the Issuer or a Guarantor; (ii) any Guarantor from merging or liquidating into or transferring all or part of its properties and assets to the Issuer or another Guarantor; (iii) any consolidation or merger of the Issuer into any Guarantor; *provided* that, if the Issuer is not the surviving entity of such merger or consolidation, the relevant Guarantor will assume the obligations of the Issuer under the Notes, the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents and clauses (1) and (4) under the heading "*—The Issuer*" shall apply to such transaction; and (iv) the Issuer or any Guarantor consolidating into or merging or combining with an Affiliate incorporated or organized for the purpose of changing the legal domicile of such entity, reincorporating such entity in another jurisdiction, or changing the legal form of such entity; *provided*, *however*, that clauses (1) and (4) under the heading "*—The Issuer*" or clauses (1) through (3) under the heading "*—Additional Guarantees*," as the case may be, shall apply to any such transaction.

Impairment of Security Interest

The Issuer shall not, and the Issuer shall not permit any Restricted Subsidiary to, take or knowingly or negligently omit to take any action that would have the result of materially impairing the Security Interest with respect to the Collateral (it being understood, subject to the proviso below, that the Incurrence of Permitted Collateral Liens shall under no circumstances be deemed to materially impair the Security Interest with respect to the Collateral) for the benefit of the Trustee and the Holders, and the Issuer shall not, and the Issuer shall not permit any Restricted Subsidiary to, grant to any Person other than the Security Agent, for the benefit of the Trustee and the Holders and the other beneficiaries described in the Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement, any interest whatsoever in any of the Collateral, except that (i) the Issuer and the Restricted Subsidiaries may amend, extend, renew, restate, supplement, release or otherwise modify or replace any Security Documents for the purposes of Incurring Permitted Collateral Liens, (ii) the Issuer and the Restricted Subsidiaries may amend, extend, renew, restate, supplement, release, release and retake or otherwise modify or replace any Security Documents for the purposes of undertaking a Permitted Reorganization or a transaction not prohibited by the covenant set forth under "*—Merger and Consolidation*," (iii) the Collateral may be discharged and released in accordance with the Indenture, the applicable Security Documents or the Intercreditor Agreement or any Additional Intercreditor Agreement, (iv) the applicable Security Documents may be amended from time to time to cure any ambiguity, mistake, omission, defect, error or inconsistency therein and (v) the Issuer and the Restricted Subsidiaries may amend the Security Interests in any manner that does not adversely affect Holders in any material respect as determined by the Issuer in good faith and evidenced by an Officer's Certificate delivered to the Trustee and the Security Agent; *provided*, *however*, that in the case of clause (i), (ii) or (v) above, the Security Documents may not be amended, extended, renewed, restated, supplemented, released or otherwise modified or replaced, unless contemporaneously with any such action, the Issuer delivers to the Trustee,

either (a) a solvency opinion, in form and substance reasonably satisfactory to the Trustee from an Independent Financial Advisor confirming the solvency of the Issuer and its Subsidiaries, taken as a whole (as applicable), after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, (b) a certificate from the Board of Directors of the relevant Person, in form and substance reasonably satisfactory to the Trustee, which confirms the solvency of the Issuer or the relevant Person granting such Security Interest, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, or (c) an Opinion of Counsel, in form and substance reasonably satisfactory to the Trustee, confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, the Lien or Liens created under the Security Documents, so amended, extended, renewed, restated, supplemented, released, modified or replaced are valid Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, that such Lien or Liens were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, supplement, release, modification or replacement.

In the event that the Issuer complies with the requirements of this covenant, each of the Trustee and the Security Agent shall (subject to each of the Trustee and the Security Agent being indemnified and/or secured (including by way of prefunding) to its satisfaction) consent to such amendments without the need for instructions from the Holders.

Additional Guarantees

Notwithstanding anything to the contrary in this covenant, no Restricted Subsidiary shall Guarantee the Indebtedness of the Issuer or a Guarantor Incurred pursuant to a Credit Facility (including, for the avoidance of doubt, the Revolving Credit Facility) with an aggregate outstanding principal amount in excess of €15.0 million or any Public Debt unless such Restricted Subsidiary is or becomes a Guarantor on the date on which the Guarantee is Incurred and, if applicable, executes and delivers to the Trustee a supplemental indenture in the form attached to the Indenture pursuant to which such Restricted Subsidiary will provide a Notes Guarantee; *provided*, *however*, that such Restricted Subsidiary shall not be obligated to become such a Guarantor to the extent and for so long as the Incurrence of such Notes Guarantee would be inconsistent with the Agreed Security Principles or may reasonably be expected to give rise to or result in (1) any breach or violation of statutory limitations, corporate benefit, financial assistance, fraudulent preference, thin capitalization rules, capital maintenance rules, guidance and coordination rules or the laws, rules or regulations (or analogous restrictions) of any applicable jurisdiction; (2) any risk or liability for the officers, directors or shareholders of such Restricted Subsidiary; or (3) any cost, expense, liability or obligation (including with respect to any Taxes) other than reasonable out of pocket expenses and other than reasonable expenses Incurred in connection with any governmental or regulatory filings required as a result of, or any measures pursuant to clause (2) undertaken in connection with, such Notes Guarantee which cannot be avoided through measures reasonably available to the Issuer or any Restricted Subsidiary. At the option of the Issuer, any Notes Guarantee may contain limitations on such Guarantor's liability to the extent reasonably necessary to recognize certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law.

Future Notes Guarantees granted pursuant to this provision shall be released as set forth under "*—The Notes Guarantees—Notes Guarantee Release*." A Notes Guarantee of a future Guarantor may also be released at the option of the Issuer if at the date of such release either (1) there is no Indebtedness of such Guarantor outstanding which was Incurred after the Issue Date and which could not have been Incurred in compliance with the Indenture if such Guarantor had not been designated as a Guarantor or (2) there is no Indebtedness of such Guarantor outstanding which was Incurred after the Issue Date and which could not have been Incurred in compliance with the Indenture as of the date of such release if such Guarantor were not designated as a Guarantor as

of that date. The Trustee and the Security Agent shall each take all necessary actions, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, to effectuate any release of a Notes Guarantee in accordance with these provisions, subject to each of the Trustee and the Security Agent being indemnified and/or secured (including by way of prefunding) to its satisfaction.

The validity and enforceability of the Notes Guarantees and the Security Interests and the liability of each Guarantor will be subject to the limitations as described and set out in "*Limitations on validity and enforceability of the Notes Guarantee and security interests and certain insolvency law considerations*."

Additional Intercreditor Agreements

The Indenture will provide that, at the request of the Issuer, in connection with the Incurrence by the Issuer or the Restricted Subsidiaries of any (x) Indebtedness permitted pursuant to the first paragraph of the covenant described under "*—Limitation on Indebtedness*" or clause (1), (4), (5), (6), (7) (other than with respect to Lease Obligations), (11) or (13) of the second paragraph of the covenant described under "*—Limitation on Indebtedness*" and (y) any refinancing Indebtedness in respect of Indebtedness referred to in the foregoing clause (x), the Issuer, the relevant Restricted Subsidiaries, the Trustee and the Security Agent shall enter into with the holders of such Indebtedness (or their duly authorized Representatives) an intercreditor agreement (an "**Additional Intercreditor Agreement**") or a restatement, amendment or other modification of the existing Intercreditor Agreement on substantially the same terms as the Intercreditor Agreement (or terms not materially less favorable to the Holders), including containing substantially the same terms with respect to release of Guarantees and priority and release of the Security Interests; *provided* that such Additional Intercreditor Agreement will not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, as applicable, adversely affect the rights, duties, liabilities or immunities of the Trustee or Security Agent under the Indenture or the Intercreditor Agreement.

The Indenture also will provide that, at the direction of the Issuer and without the consent of Holders, the Trustee and the Security Agent shall from time to time enter into one or more amendments to any Intercreditor Agreement to: (1) cure any ambiguity, omission, defect, manifest error or inconsistency of any such agreement, (2) increase the amount or types of Indebtedness covered by any such agreement that may be Incurred by the Issuer or any Restricted Subsidiary that is subject to any such agreement (including with respect to any Intercreditor Agreement or Additional Intercreditor Agreement, the addition of provisions relating to new Indebtedness ranking junior in right of payment to the Notes), (3) add Restricted Subsidiaries to the Intercreditor Agreement or an Additional Intercreditor Agreement, (4) further secure the Notes (including Additional Notes), (5) make provision for equal and ratable pledges of the Collateral to secure Additional Notes, (6) implement any Permitted Collateral Liens, (7) amend the Intercreditor Agreement or any Additional Intercreditor Agreement in accordance with the terms thereof or (8) make any other change to any such agreement that does not adversely affect the Holders in any material respect. In formulating its opinion on such matters, the Trustee shall be entitled to request and rely absolutely on such evidence as it deems appropriate, including an Officer's Certificate and an Opinion of Counsel. The Issuer shall not otherwise direct the Trustee or the Security Agent to enter into any amendment to any Intercreditor Agreement without the consent of the Holders of the majority in aggregate principal amount of the Notes then outstanding, except as otherwise permitted below under "*—Amendments and Waivers*," and the Issuer may only direct the Trustee and the Security Agent to enter into any amendment to the extent such amendment does not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, adversely affect their respective rights, duties, liabilities or immunities under the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Indenture shall also provide that, in relation to any Intercreditor Agreement or Additional Intercreditor Agreement, the Trustee (and Security Agent, if applicable) shall consent on behalf

of the Holders to the payment, repayment, purchase, repurchase, defeasance, acquisition, retirement or redemption of any obligations subordinated to the Notes thereby; *provided*, *however*, that such transaction would comply with the covenant described under "*—Limitation on Restricted Payments*."

The Indenture also will provide that each Holder, by accepting a Note, shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement or any Additional Intercreditor Agreement, (whether then entered into or entered into in the future pursuant to the provisions described herein) and to have directed the Trustee and the Security Agent to enter into any such Additional Intercreditor Agreement. A copy of the Intercreditor Agreement or any Additional Intercreditor Agreement shall be made available for inspection during normal business hours on any Business Day upon prior written request at our offices.

Suspension of Covenants on Achievement of Investment Grade Status

If on any date following the Issue Date, the Notes have achieved Investment Grade Status and no Default or Event of Default has occurred and is continuing (a "**Suspension Event**"), then, beginning on that day and continuing until such time, *if any, at which the* Notes cease to have Investment Grade Status (the "**Reversion Date**"), the provisions of the Indenture summarized under the following captions will not apply to the Notes:

(1) "*—Limitation on Restricted Payments*";

(2) "*—Limitation on Indebtedness*";

(3) "*—Limitation on Restrictions on Distributions from Restricted Subsidiaries*";

(4) "*—Limitation on Affiliate Transactions*";

(5) "*—Limitation on Sales of Assets and Subsidiary Stock*";

(6) the provisions of clause (3) of the covenant described under "*—Merger and Consolidation—The Issuer*";

(7) "*—Impairment of Security Interest*"; and

(8) the second, third and fourth paragraphs of the definition of "*Unrestricted Subsidiary*,"

and, in each case, any related default provision of the Indenture will cease to be effective and will not be applicable to the Issuer and the Restricted Subsidiaries.

Such covenants and any related default provisions will again apply according to their terms from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Issuer properly taken during the continuance of the Suspension Event, and no action taken prior to the Reversion Date will constitute a Default or Event of Default. The covenant set forth under "*—Limitation on Restricted Payments*" and the second, third and fourth paragraphs of the definition of "Unrestricted Subsidiary" will be interpreted as if it has been in effect since the date of the Indenture but not during the continuance of the Suspension Event. On the Reversion Date, all Indebtedness of the Issuer and the Restricted Subsidiaries Incurred during the continuance of the Suspension Event will be deemed to have been outstanding on the Issue Date, so that it is classified as permitted under clause (4)(b) of the second paragraph of the covenant described under "*—Limitation on Indebtedness*."

Furthermore, (a) any transactions prohibited by the covenant set forth under "*—Limitation on Affiliate Transactions*" entered into after the Reversion Date pursuant to an agreement entered into during any continuance of a Suspension Event shall be deemed to be permitted pursuant to clause (6)(ii) of the second paragraph of the covenant set forth under "*—Limitation on Affiliate Transactions*," and (b) any encumbrance or restriction on the ability of any Restricted Subsidiary to take any action described in clauses (A) through (C) of the first paragraph of the covenant described under "*—Limitation on Restrictions on Distributions from Restricted Subsidiaries*" that

becomes effective during any continuance of a Suspension Event shall be deemed to be permitted pursuant to clause (1)(c) of the second paragraph of the covenant set forth under "*—Limitation on Restrictions on Distributions from Restricted Subsidiaries*."

In addition, the Indenture will also permit, without causing a Default or Event of Default, the Issuer or any of the Restricted Subsidiaries to honor any contractual commitments or take actions in the future after any date on which the Notes cease to have an Investment Grade Status as long as the contractual commitments were entered into during the Suspension Event and not in anticipation of the Notes no longer having an Investment Grade Status. The Trustee shall have no duty to monitor the ratings of the Notes, shall not be deemed to have any knowledge of the ratings of the Notes and shall have no duty to notify Holders if the Notes achieve an Investment Grade Status or upon the occurrence of the Reversion Date. The Issuer shall notify the Trustee that the conditions set forth in the first paragraph under this caption have been satisfied, provided that, no such notification shall be a condition for the suspension of the covenants described under this caption to be effective. The Trustee shall not be obliged to notify Holders of a Suspension Event or, if applicable, upon the occurrence of a Reversion Date.

There can be no assurance that the Notes will ever achieve or maintain an Investment Grade Status.

Financial Calculations in Respect of Transactions

When determining the availability under any basket or ratio under the Indenture in connection with any transaction or whether such transaction is permitted under the Indenture (including, for the avoidance of doubt and without limitation, testing any Incurrence or assumption of Indebtedness or Liens, the making of any Restricted Payment, Permitted Payment or Investment, any Asset Disposition, any acquisition, merger, consolidation, amalgamation or other business combination and any other transaction requiring the testing of any basket based on the Consolidated EBITDA of the Issuer), the date of determination of such basket or ratio and of any Default or Event of Default shall, at the option of the Issuer, be the date the definitive agreements for such transaction are entered into (the "**Transaction Commitment Date Election**").

If the Issuer makes a Transaction Commitment Date Election, such baskets or ratios shall be calculated with such *pro forma* adjustments as are appropriate and consistent with the pro forma provisions set forth in the definition of Fixed Charge Coverage Ratio and Consolidated Net Leverage Ratio after giving effect to such transaction and other transactions to be entered into in connection therewith (including any Incurrence of Indebtedness and the use of proceeds thereof) as if they had occurred at the beginning of the applicable period for purposes of determining the ability to consummate any such transaction, and, for the avoidance of doubt (x) if any of such baskets or ratios are exceeded as a result of fluctuations in such basket or ratio (including due to fluctuations in the Consolidated Net Income or Consolidated EBITDA of the Issuer or that arises from an asset or a target company subject to such transaction) subsequent to such date of determination and at or prior to the consummation of the relevant transaction, such baskets or ratios will not be deemed to have been exceeded as a result of such fluctuations solely for purposes of determining whether the transaction is permitted hereunder and (y) such baskets or ratios shall not be tested at the time of consummation of such transaction or related transactions.

If the Issuer makes a Transaction Commitment Date Election, any such transactions (including any Incurrence of Indebtedness and the use of proceeds therefrom) shall be deemed to have occurred on the date the definitive agreements are entered into for purposes of calculating any baskets or ratios under the Indenture after the date of such agreement and before the consummation of such transaction. To the extent the date of determination of a basket or ratio is tested prior to the date of consummation of a transaction, such basket or ratio shall be deemed utilized to the same extent until the earlier of the date of consummation of such transaction or the date such transaction is terminated or expires without consummation, except that, in the case of an acquisition, merger or consolidation, any calculation of Consolidated EBITDA for purposes other than Incurrences of Indebtedness or Liens or the making of Restricted Payments (not related to

such acquisition, merger or consolidation) shall not reflect such transaction until it has been consummated.

Events of Default

Each of the following will be an "**Event of Default**" under the Indenture:

(1) default in any payment of interest on any Note issued under the Indenture when due and payable, continued for 30 days;

(2) default in the payment of the principal amount of or premium, if any, on any Note issued under the Indenture when due at its Stated Maturity, upon optional redemption, upon required repurchase or mandatory redemption, upon acceleration or otherwise;

(3) failure by the Issuer or any Guarantor to comply for 60 days after notice by the Trustee or the Holders of at least 30% in principal amount of the outstanding Notes with its respective other agreements contained in the Indenture;

(4) the occurrence of any default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Issuer or any Restricted Subsidiary (or the payment of which is Guaranteed by the Issuer or any Restricted Subsidiary) other than Indebtedness owed to the Issuer or a Restricted Subsidiary whether such Indebtedness or Guarantee now exists, or is created after the Issue Date, which default:

   (a) is caused by a failure to pay principal at stated maturity on such Indebtedness, immediately upon the expiration of the grace period provided in such Indebtedness ("**payment default**"); or

   (b) results in the acceleration of such Indebtedness prior to its maturity (the "**cross acceleration provision**"),

and the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a payment default or the maturity of which has been so accelerated, aggregates €25.0 million or more;

(5) certain events of bankruptcy, insolvency or court protection of the Issuer, a Significant Subsidiary or a group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Issuer), would constitute a Significant Subsidiary (the "**bankruptcy provisions**");

(6) failure by the Issuer or any Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for Issuer), would constitute a Significant Subsidiary to pay final judgments aggregating in excess of €25.0 million (exclusive of any amounts that a solvent insurance company has acknowledged liability for), which judgments are not paid, discharged or stayed for a period of 60 days after the judgment becomes final (the "**judgment default provision**");

(7) any Security Interest under the Security Documents with respect to Collateral having a fair market value in excess of €20.0 million shall, at any time, cease to be in full force and effect (other than in accordance with the terms of the relevant Security Document, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Indenture) for any reason other than the satisfaction in full of all obligations under the Indenture or the release of any such Security Interest in accordance with the terms of the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement or the Security Documents or any such Security Interest created thereunder shall be declared invalid or unenforceable or the Issuer or the applicable Restricted Subsidiary shall assert in writing that any such Security Interest is invalid or unenforceable and any such Default continues for 10 days; and

(8) any Notes Guarantee of a Significant Subsidiary ceases to be in full force and effect (other than in accordance with the terms of such Notes Guarantee or the Indenture) or is declared

invalid or unenforceable in a judicial proceeding or any Guarantor denies or disaffirms in writing its obligations under its Notes Guarantee and any such Default continues for 10 days.

However, a default under clauses (3), (4) or (6) of this paragraph will not constitute an Event of Default until the Trustee or the Holders of 30% in principal amount of the outstanding Notes under the Indenture notify the Issuer of the default and, with respect to clauses (3), (4) and (6) the Issuer does not cure such default within the time specified in clauses (3), (4) or (6), as applicable, of this paragraph after receipt of such notice.

If an Event of Default (other than an Event of Default described in clause (5) above) occurs and is continuing, the Trustee, by notice to the Issuer or the Holders of at least 30% in principal amount of the outstanding Notes under the Indenture by written notice to the Issuer and the Trustee, may, and the Trustee (subject to certain conditions) at the request of such Holders shall, declare the principal of, premium, if any, and accrued and unpaid interest on all the Notes under the Indenture to be due and payable. Upon such a declaration, such principal, premium and accrued and unpaid interest will be due and payable immediately. In the event of a declaration of acceleration of the Notes because an Event of Default described in clause (4) above has occurred and is continuing, the declaration of acceleration of the Notes shall be automatically annulled if the event of default or payment default triggering such Event of Default pursuant to clause (4) shall be remedied or cured, or waived by the holders of the Indebtedness, or the Indebtedness that gave rise to such Event of Default shall have been discharged in full, within 30 days after the declaration of acceleration with respect thereto and if (i) the annulment of the acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (ii) all existing Events of Default, except non-payment of principal, premium or interest on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived.

If an Event of Default described in clause (5) above occurs and is continuing, the principal of, premium, if any, and accrued and unpaid interest on all the Notes will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holders.

Holders may not enforce the Indenture or the Notes except as provided in the Indenture and may not enforce the Security Documents except as provided in such Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Holders of not less than a majority in principal amount of the outstanding Notes under the Indenture by notice to the Trustee may, on behalf of all Holders, waive all past or existing Defaults or Events of Default (except with respect to non-payment of principal, premium, interest or Additional Amounts, if any, on any Note held by a non-consenting Holder (which may only be waived with the consent of Holders holding 75% of the aggregate principal amount of the Notes outstanding under the Indenture)) and rescind any such acceleration with respect to such Notes and its consequences if rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Subject to the provisions of the Indenture relating to the duties of the Trustee, if an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any of the Holders unless such Holders have offered to the Trustee and, if requested, the Trustee has received, customary indemnification and/or security (including by way of prefunding) satisfactory to the Trustee in its sole discretion against any loss, liability or expense. Except to enforce the right to receive payment of principal or interest when due, no Holder may pursue any remedy with respect to the Indenture or the Notes unless:

(1) such Holder has previously given the Trustee notice that an Event of Default is continuing;

(2) Holders of at least 30% in principal amount of the outstanding Notes have requested the Trustee to pursue the remedy;

(3) such Holders have offered the Trustee indemnity and/or security (including by way of prefunding) satisfactory to it against any loss, liability or expense;

(4) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of such indemnity and/or security (including by way of prefunding); and

(5) the Holders of a majority in principal amount of the outstanding Notes have not given the Trustee a direction that, in the opinion of the Trustee, is inconsistent with such request within such 60-day period.

Subject to certain restrictions, the Holders of not less than a majority in principal amount of the outstanding Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee.

The Indenture will provide that, in the event an Event of Default has occurred and is continuing of which a responsible officer of the Trustee has been given written notice, the Trustee will be required in the exercise of its powers to use the degree of care that a prudent person would use in the conduct of its own affairs. The Trustee, however, may refuse to follow any direction that conflicts with law or the Indenture or that would involve the Trustee in personal liability. Prior to taking any action under the Indenture, the Trustee will be entitled to customary indemnification and/or security (including by way of prefunding) satisfactory to the Trustee against all losses, liabilities and expenses (including legal fees) caused by taking or not taking such action. Prior to the occurrence of an Event of Default, the Trustee will have no obligation to monitor compliance by the Issuer with the terms of the Indenture. The Indenture will provide that if a Default occurs and is continuing and the Trustee is informed of such occurrence by the Issuer, the Trustee must give notice of the Default to the Holders within 60 days after being notified by the Issuer. Except in the case of a Default in the payment of principal of, or premium, if any, or interest on any Note, the Trustee may withhold notice if and so long as the Trustee determines that withholding notice is in the interests of the Holders. The Issuer is required to deliver to the Trustee, within 120 days after the end of each fiscal year (beginning with the first fiscal year ending after the Issue Date), an Officer's Certificate indicating whether the signers thereof know of any Default or Event of Default that occurred during the previous year. The Issuer is required to deliver to the Trustee, within 30 days after the occurrence thereof, written notice of any events of which it is aware which would constitute certain Defaults, their status and what action the Issuer is taking or proposes to take in respect thereof.

The Indenture will provide that (i) if a Default occurs for a failure to deliver a required certificate in connection with another default (an "**Initial Default**") then at the time such Initial Default is cured, such Default for a failure to report or deliver a required certificate in connection with the Initial Default will also be cured without any further action and (ii) any Default or Event of Default for the failure to comply with the time periods prescribed under "*—Certain Covenants—Reports*" or otherwise to deliver any notice or certificate pursuant to any other provision of this Indenture shall be deemed to be cured upon the delivery of any such report required by such provision or notice or certificate, as applicable, even though such delivery is not within the prescribed period specified in the Indenture.

The Indenture will provide for the Trustee to take action on behalf of the Holders in certain circumstances, but only if the Trustee is indemnified and/or secured (including by way of prefunding) to its satisfaction. It may not be possible for the Trustee to take certain actions in relation to the Notes and, accordingly, in such circumstances the Trustee will be unable to take action, notwithstanding the provision of an indemnity to it, and it will be for Holders to take action directly.

Amendments and Waivers

Subject to certain exceptions and subject to compliance with the provisions described under *"—Meetings of Holders,"* the Notes Documents may be amended, supplemented or otherwise modified with the consent of Holders of at least a majority in principal amount of the Notes then

outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes) and, subject to certain exceptions, any default or compliance with any provisions thereof may be waived with the consent of the Holders of at least a majority in principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes); *provided that* (x) if any such amendment, supplement, modification or waiver will only affect one series of Notes (or less than all series of Notes) then outstanding under the Indenture, then only the consent of the holders of at least a majority in principal amount of the Notes of such affected series then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, such series of the Notes) shall be required and (y) if any such amendment, supplement, modification or waiver by its terms will affect a series of Notes in a manner that is different from and materially adverse relative to the manner in which such amendment, supplement or waiver affects other series of Notes, then the consent of the holders of at least a majority in principal amount of the Notes of such affected series then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, such series of the Notes) shall be required.

However, without the consent of Holders holding not less than 75% of the then outstanding principal amount of the Notes affected, any such amendment, supplement, modification or waiver may not, with respect to any Notes held by a non-consenting Holder:

(1) reduce the proportion of the principal amount of Notes whose Holders must consent to an amendment, supplement, modification or waiver;

(2) reduce the stated rate of or extend the stated time for payment of interest on any Note;

(3) reduce the principal of or extend the Stated Maturity of any Note;

(4) reduce the premium payable upon the redemption of any Note or change the time at which any Note may be redeemed, in each case as described under "*—Optional Redemption*";

(5) make any Note payable in money other than that stated in the Note;

(6) impair the contractual right of any Holder to institute suit for the enforcement of any payment of principal of, or interest or Additional Amounts on, if any, such Holder's Notes on or after the due dates therefor;

(7) make any change in the provision of the Indenture described under "*—Additional Amounts*" that adversely affects the right of any Holder of such Notes in any material respect or amends the terms of such Notes in a way that would result in a loss of an exemption from any of the Taxes described thereunder or an exemption from any obligation to withhold or deduct Taxes so described thereunder unless the Issuer or the applicable Payor agrees to pay Additional Amounts, if any, in respect thereof;

(8) release any security interests granted for the benefit of the Holders in the Collateral other than in accordance with the terms of the Security Documents, the Intercreditor Agreement, any applicable Additional Intercreditor Agreement or the Indenture;

(9) waive a Default or Event of Default with respect to the non-payment of principal, premium or interest or Additional Amounts, if any, on the Notes (except pursuant to a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount of such Notes and a waiver of the payment default that resulted from such acceleration);

(10) release any Guarantor from any of its obligations under its Notes Guarantee or the Indenture, except in accordance with the terms of the Indenture and the Intercreditor Agreement; or

(11) make any change in the amendment, supplement, modification or waiver provisions which require the Holders' consent described in this sentence,

provided that (x) if any such amendment, supplement, modification or waiver will only affect one series of Notes then outstanding under the Indenture and does not or would not affect holders of the Notes generally, then only the consent of the holders of not less than 75% in principal amount of the Notes of such series then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, such series of the Notes) shall be required and (y) if any such amendment, supplement, modification or waiver by its terms will affect a series of Notes in a manner that is different from and materially adverse relative to the manner in which such amendment, supplement, modification or waiver affects other series of Notes, then the consent of the holders of not less than 75% in principal amount of the Notes of such affected series then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, such series of the Notes) shall be required.

Notwithstanding the foregoing, without the consent of any Holder, any Notes Documents may be amended, supplemented or modified to:

(1) cure any ambiguity, omission, defect, error or inconsistency;

(2) provide for the assumption by a successor Person of the obligations of the Issuer or any Restricted Subsidiary under any Notes Document;

(3) add to the covenants or provide for a Notes Guarantee for the benefit of the Holders or surrender any right or power conferred upon the Issuer or any Restricted Subsidiary;

(4) make any change that would provide additional rights or benefits to the Trustee or the Holders or that does not adversely affect the rights or benefits to the Trustee or any of the Holders in any material respect under the Notes Documents;

(5) make such provisions as necessary (as determined in good faith by the Board of Directors or an Officer of the Issuer) for the issuance of Additional Notes;

(6) to provide for any Restricted Subsidiary to provide a Notes Guarantee in accordance with the provision described under "*—Certain Covenants—Limitation on Indebtedness*" or "*—Certain Covenants—Additional Guarantees*," to add Guarantees with respect to the Notes, to add security to or for the benefit of the Notes, or to confirm and evidence the release, termination, discharge or retaking of any Notes Guarantee or Lien (including the Collateral and the Security Documents) or any amendment in respect thereof with respect to or securing the Notes when such release, termination, discharge or retaking or amendment is provided for under the Indenture, the Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement;

(7) to conform the text of the Indenture, the Security Documents, the Escrow Agreement or the Notes to any provision of this "*Description of the Notes*" to the extent that such provision in this "*Description of the Notes*" was intended to be a verbatim recitation of a provision of the Indenture, the Security Documents or the Notes;

(8) to evidence and provide for the acceptance and appointment under the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement of a successor Trustee or Security Agent pursuant to the requirements thereof or to provide for the accession by the Trustee or the Security Agent to any Notes Document;

(9) in the case of the Security Documents, to mortgage, pledge, hypothecate or grant a security interest in favor of the Security Agent for the benefit of the Holders or parties to the Revolving Credit Facility, in any property which is required by the Security Documents or the Revolving Credit Facility to be mortgaged, pledged or hypothecated, or in which a security interest is required to be granted to the Security Agent, or to the extent necessary to grant a security interest in the Collateral for the benefit of any Person; *provided* that the granting of such security interest is not prohibited by the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement and the provisions described under "*—Certain Covenants—Impairment of Security Interest*" is complied with; or

(10) as provided in "*—Certain Covenants—Impairment of Security Interest*" and "*Certain Covenants—Additional Intercreditor Agreements*."

In formulating its decision on such matters, the Trustee shall be entitled to receive and rely absolutely on such evidence as it deems necessary, including Officer's Certificates and Opinions of Counsel.

The consent of the Holders is not necessary under the Indenture to approve the particular form of any proposed amendment, supplement, modification or waiver of any Notes Document. It is sufficient if such consent approves the substance of the proposed amendment, supplement, modification or waiver. A consent to any amendment, supplement, modification or waiver under the Indenture by any Holder of Notes given in connection with a tender of such Holder's Notes will not be rendered invalid by such tender.

Notwithstanding anything to the contrary in the paragraph above, in order to effect an amendment authorized by subsections (3) and (6) in respect of providing for a Notes Guarantee, it shall only be necessary for the supplemental indenture or Notes Guarantee of such additional Guarantor to be duly authorized and executed by (i) the Issuer, (ii) such additional Guarantor and (iii) the Trustee.

The Indenture will not contain a covenant regulating the offer and/or payment of a consent fee to Holders.

Acts by Holders

In determining whether the Holders of the required principal amount of the Notes have concurred in any direction, waiver or consent, the Notes owned by the Issuer or by any Person directly or indirectly controlling, or controlled by, or under direct or indirect common control with, the Issuer will be disregarded and deemed not to be outstanding.

Defeasance

The Issuer at any time may terminate all obligations of the Issuer and each Guarantor under the Notes and the Indenture ("**legal defeasance**") and cure all then existing Defaults and Events of Default, except for certain obligations, including those respecting the defeasance trust, the rights, powers, trusts, duties, immunities and indemnities of the Trustee and the obligations of the Issuer in connection therewith and obligations concerning issuing temporary Notes, registration of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust. Subject to the foregoing, if the Issuer exercises its legal defeasance option, the Security Documents and the rights of the Trustee and the Holders under the Intercreditor Agreement or any Additional Intercreditor Agreement in effect at such time will terminate (other than with respect to the defeasance trust).

The Issuer at any time may terminate the obligations of it and the Restricted Subsidiaries under the covenants described under "*—Certain Covenants*" (other than clauses (1) and (2) of "*—Certain Covenants—Merger and Consolidation*") and "*—Change of Control*" and the default provisions relating to such covenants described under "*—Events of Default*" above, the operation of the cross-default upon a payment default, the cross acceleration provisions, the bankruptcy provisions with respect to Significant Subsidiaries, the judgment default provision, the guarantee provision and the security default provision described under "*—Events of Default*" ("**covenant defeasance**").

The Issuer at its option at any time may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. If the Issuer exercises its legal defeasance option, payment of the Notes may not be accelerated because of an Event of Default with respect to such Notes. If the Issuer exercises its covenant defeasance option with respect to the Notes, payment of the Notes may not be accelerated because of an Event of Default specified in clause (3) (other than with respect to clauses (1) and (2) of the covenant described under "*—Certain Covenants—Merger and Consolidation*"), (4), (5) (with respect only to Significant Subsidiaries), (6), (7) or (8) under "*—Events of Default*."

In order to exercise either defeasance option, the Issuer must irrevocably deposit in trust (the "**defeasance trust**") with the Trustee (or another entity designated or appointed (as agent) by the Trustee for this purpose) cash in euros or euro-denominated European Government Obligations or a combination thereof sufficient, in the opinion of a nationally recognized investment bank, appraisal firm or firm of independent public accountants, for the payment of principal, premium, if any, and interest on the Notes to redemption or maturity, as the case may be, and must comply with certain other conditions, including delivery to the Trustee of:

(1) an Opinion of Counsel in the United States, subject to customary assumptions and exclusions, to the effect that Holders of the relevant Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred (and in the case of legal defeasance only, such Opinion of Counsel in the United States must be based on a ruling of the U.S. Internal Revenue Service or other change in applicable U.S. federal income tax law after the date hereof);

(2) an Officer's Certificate stating that the deposit was not made by the Issuer with the intent of defeating, hindering, delaying, defrauding or preferring any creditors of the Issuer;

(3) an Officer's Certificate and an Opinion of Counsel (which Opinion of Counsel may be subject to customary assumptions and exclusions), each stating that all conditions precedent provided for or relating to legal defeasance or covenant defeasance, as the case may be, have been complied with; and

(4) the Issuer delivers to the Trustee all other documents or other information that the Trustee may reasonably require in connection with either defeasance option.

Satisfaction and Discharge

The Indenture, and the rights of the Trustee and the Holders under the Intercreditor Agreement and any Additional Intercreditor Agreement and the Security Documents will be discharged and cease to be of further effect (except as to surviving rights of conversion or transfer or exchange of the Notes, as expressly provided for in the Indenture) as to all outstanding Notes when (1) either (a) all the Notes previously authenticated and delivered (other than certain lost, stolen or destroyed Notes, and certain Notes for which provision for payment was previously made and thereafter the funds have been released to the Issuer) have been delivered to the Paying Agent for cancellation; or (b) all Notes not previously delivered to the Paying Agent for cancellation (i) have become due and payable, (ii) will become due and payable at their Stated Maturity within one year or (iii) are to be called for redemption within one year under arrangements reasonably satisfactory to the Trustee for the giving of notice of redemption by the Paying Agent in the name, and at the expense, of the Issuer; (2) the Issuer has deposited or caused to be deposited with the Trustee (or another entity designated or appointed (as agent) by the Trustee for this purpose), money or euro-denominated European Government Obligations, or a combination thereof, as applicable, in an amount sufficient to pay and discharge the entire Indebtedness on the Notes not previously delivered to the Paying Agent for cancellation, for principal, premium, if any, and interest to the date of deposit (in the case of Notes that have become due and payable), or to the Stated Maturity or redemption date, as the case may be; (3) the Issuer has paid or caused to be paid all other sums payable under the Indenture; (4) the Issuer has delivered irrevocable instructions to both the Paying Agent and the Trustee under the Indenture to apply the deposited money toward the payment of such Notes at maturity or on the redemption date, as the case may be; and (5) the Issuer has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel each to the effect that all conditions precedent under the "*Satisfaction and Discharge*" section of the Indenture relating to the satisfaction and discharge of the Indenture have been complied with as to such Notes, *provided* that any such counsel may rely on any Officer's Certificate as to matters of fact (including as to compliance with the foregoing clauses (1), (2) and (3)).

If requested in writing by the Issuer, which request may be included in the applicable notice of redemption or pursuant to the applicable Officer's Certificate no later than two Business Days prior to such distribution, the Trustee or the Paying Agent (or such other entity directed, designated or appointed by the Issuer and reasonably acceptable to the Trustee, acting for the Trustee for this purpose) shall distribute any amounts deposited to the Holders prior to the Stated Maturity of the Notes or the applicable redemption date, as the case may be. For the avoidance of doubt, the distribution and payment to Holders prior to the Stated Maturity or applicable redemption date as set forth above will not include any negative interest, present value adjustment, break costs or any other premium on such amounts. To the extent the Notes are represented by a Global Note deposited with a depositary for a clearing system, any payment to the beneficial holders holding Book-Entry Interests as participants of such clearing system will be subject to the then applicable procedures of the clearing system.

Meetings of Holders

All meetings of Holders of each series of the Notes will be held in accordance with applicable Italian laws and regulation. In addition to and without prejudice to the provisions described above under the caption "—Amendments and Waivers," in accordance with the provisions set forth under the Italian Civil Code, the Indenture will include provisions for the convening of meetings of the Holders to consider any matter affecting their interests, including, without limitation, the modification or abrogation by extraordinary resolution of any provisions of the Notes or the Indenture. A meeting may be convened either (i) by the Board of Directors of the Issuer, (ii) by the Noteholders' Representative (as defined below) or (iii) upon request by holders of at least 5.0% of the aggregate principal amount of the outstanding Notes.

In accordance with the Italian Civil Code, the vote required to pass a resolution by a meeting of the Holders will be (i) in the case of the first meeting, one or more persons that hold or represent Holders of more than one half of the aggregate principal amount of the outstanding Notes and (ii) in the case of the second and any further adjourned meeting, one or more persons that hold or represent Holders of at least two-thirds of the aggregate principal amount of the Notes so present or represented at such meeting. Any such second or further adjourned meeting will be validly held if there are one or more persons present that hold or represent Holders of more than one-third of the aggregate principal amount of the outstanding Notes; *provided*, *however*, that the Issuer's bylaws may provide for a higher quorum (to the extent permitted under Italian law). Certain proposals, as set out under Article 2415 paragraph 1, item 2, and paragraph 3 of the Italian Civil Code (namely, the amendment of the economic terms and conditions of the Notes) may only be approved by an extraordinary resolution passed at a meeting of Holders (including any adjourned meeting) by one or more persons present that hold or represent holders of not less than one-half of the aggregate principal amount of the outstanding Notes.

With respect to the matters set forth in the second paragraph under "—Amendments and Waivers," and to the extent permitted under Italian law, the Indenture will contractually increase the percentage of the aggregate principal amount of Notes otherwise required by Article 2415 of the Italian Civil Code to pass an extraordinary resolution with respect to such matters from 50% to 75% of the aggregate principal amount of the outstanding Notes. See "*Risk Factors—Risks Related to the Notes, the Guarantee and the Security Interests—The Issuer may amend the economic terms and conditions of the Notes without the prior consent of all noteholders with the vote of either 75% or 50% of the aggregate principal amount of the outstanding Notes*." Any resolution duly passed at any such meeting shall be binding on all the Holders, whether or not such holder was present at such meeting or voted to approve such resolution. To the extent provided by the Italian Civil Code, the resolutions passed by a meeting of Holders can be challenged by Holders pursuant to Articles 2377 and 2379 of the Italian Civil Code.

The Indenture will provide that the provisions described under this "*—Meetings of Holders*" will be in addition to, and not in substitution of, the provisions described under the caption "—Amendments and Waivers." As such and notwithstanding the foregoing, any amendment, supplement and/or waiver, in addition to complying with the provisions described under this

"*—Meetings of Holders*" must also comply with the other provisions described under "— Amendments and Waivers."

Security Representative and Noteholders' Representative

Pursuant to the terms of the Indenture, the execution of the Indenture and the issuance and purchase of the Notes on the Issue Date shall be deemed to constitute the authorization and agreement on behalf of the holders of the Notes of the initial appointment as of the Issue Date of UniCredit S.p.A., as representative (*rappresentante*) pursuant to Article 2414-*bis*, paragraph 3, of the Italian Civil Code (the "**Security Representative**") in order to create and grant in its favor security interests and guarantees securing and guaranteeing the Notes and entitle it to exercise in the name and on behalf of the Holders of the Notes all their rights (including any rights before any court and judicial proceedings) relating to such security interests and guarantees. Pursuant to the terms of the Indenture each holder of the Notes from time to time, by accepting a Note, shall be deemed to have agreed to, and accepted, the appointment of UniCredit S.p.A. as Security Representative.

Moreover, a representative of the Holders of the Notes (*rappresentante comune*) (the "**Noteholders' Representative**") may be appointed pursuant to Articles 2415 and 2417 of the Italian Civil Code by the Holders of the Notes in order to represent the interests of the Holders of the Notes pursuant to Article 2418 of the Italian Civil Code as well as to give effect to resolutions passed at a meeting of the Holders of the Notes. Pursuant to the terms of the Indenture, the execution of the Indenture and the issuance and purchase of the Notes on the Issue Date shall be deemed to constitute the authorization and agreement on behalf of the holders of the Notes of the initial appointment as of the Issue Date of The Law Debenture Trust Corporation p.l.c. as the Noteholders' Representative. If the Noteholders' Representative is not appointed by a meeting of the Holders of the Notes, the Noteholders' Representative shall be appointed by a decree of the Court where the Issuer has its registered office upon request by one or more Holders of the Notes or upon request by the directors of the Issuer. The Noteholders' Representative remains appointed for a maximum period of three financial years but may be subsequently reappointed thereafter.

No Personal Liability of Directors, Officers, Employees and Shareholders

No director, officer, employee, incorporator or shareholder of the Issuer, any Parent or any Subsidiaries or Affiliates of the Issuer, as such, shall have any liability for any obligations of the Issuer or any Guarantor under the Notes Documents or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. Such waiver may not be effective to waive liabilities under the U.S. federal securities laws and it is the view of the SEC that such a waiver is against public policy.

Concerning the Trustee and Certain Agents

The Law Debenture Trust Corporation p.l.c. is to be appointed as Trustee under the Indenture. The Indenture will provide that, except during the continuance of an Event of Default of which a Responsible Officer of the Trustee has received written notice, the Trustee will perform only such duties as are set forth specifically in the Indenture. During the existence of an Event of Default of which a Responsible Officer of the Trustee has received written notice, the Trustee will exercise such of the rights and powers vested in it under the Indenture and use the same degree of care that a prudent Person would use in conducting its own affairs. The permissive rights of the Trustee to take or refrain from taking any action enumerated in the Indenture will not be construed as an obligation or duty. Furthermore, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any Holder, unless such Holder has offered to the Trustee, and the Trustee has received, customary protection and indemnification.

The Indenture will impose certain limitations on the rights of the Trustee, should it become a creditor of the Issuer, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee or any Agent will be permitted to engage in other transactions with the Issuer, its Subsidiaries and Affiliates.

The Indenture will set out the terms under which the Trustee may retire or be removed, and replaced. Such terms will include, among others, (1) that the Trustee may be removed at any time by the Holders of a majority in principal amount of the then outstanding Notes, or may resign at any time by giving written notice to the Issuer and (2) that if the Trustee at any time (a) has or acquires actual knowledge of a conflict of interest that is not eliminated, or (b) becomes incapable of acting as Trustee or becomes insolvent or bankrupt, then the Issuer may remove the Trustee, or any Holder who has been a bona fide Holder for not less than six months may petition any court for removal of the Trustee and appointment of a successor Trustee.

Any removal or resignation of the Trustee shall not become effective until the acceptance of appointment by the successor Trustee.

The Indenture will contain provisions for the indemnification of the Trustee for any loss, liability, Taxes (excluding Taxes imposed on or calculated by reference to the net income received by the Trustee) or expenses (including legal fees) Incurred without gross negligence, willful default or fraud on its part, arising out of or in connection with the acceptance or administration of the Indenture.

Notices

For so long as any of the Notes are listed on Official List of the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, notices of the Issuer with respect to the Notes will be published on the website of the Luxembourg Stock Exchange (www.bourse.lu). In addition, for so long as any Notes are represented by Global Notes, all notices to Holders will be delivered by or on behalf of the Issuer to Euroclear and Clearstream. Such notices may instead be published in a leading newspaper of general circulation in Luxembourg (which is expected to be the Luxembourger Wort) or if, in the opinion of the Issuer such publication is not practicable, in an English language newspaper having general circulation in Europe.

Each such notice shall be deemed to have been given on the date of such publication or, if published more than once on different dates, on the first date on which publication is made; *provided* that, if notices are mailed, such notice shall be deemed to have been given on the later of such publication and the seventh day after being so mailed. Any notice or communication mailed to a Holder shall be mailed to such Person by first-class mail or other equivalent means and shall be sufficiently given to such Holder if so mailed within the time prescribed. Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it. If a notice or communication is given in via Euroclear or Clearstream, it is duly given on the day the notice is given to Euroclear or Clearstream.

Prescription

Claims against the Issuer and the Guarantors for the payment of principal, or premium, if any, on the Notes will be prescribed ten years after the applicable due date for payment thereof. Claims against the Issuer and the Guarantors for the payment of interest on the Notes will be prescribed six years after the applicable due date for payment of interest.

Currency Indemnity and Calculation of Euro-Denominated Restrictions

The euro is the sole currency of account and payment for all sums payable by the Issuer and the Guarantors under or in connection with the Notes and the Notes Guarantees, including damages. Any amount received or recovered in a currency other than euro, whether as a result of, or the

enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer, any Guarantor or otherwise by any Holder or by the Trustee, in respect of any sum expressed to be due to it from the Issuer or a Guarantor will only constitute a discharge to the Issuer or such Guarantor, as applicable, to the extent of the euro amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so).

If that euro amount is less than the euro amount expressed to be due to the recipient or the Trustee under any Note (as applicable), the Issuer and the Guarantors will indemnify them against any loss sustained by such recipient or the Trustee as a result. In any event, the Issuer and the Guarantors will indemnify the recipient or the Trustee on a joint and several basis against the cost of making any such purchase. For the purposes of this currency indemnity provision, it will be *prima facie* evidence of the matter stated therein for the Holder of a Note or the Trustee to certify in a manner reasonably satisfactory to the Issuer (indicating the sources of information used) the loss it Incurred in making any such purchase. These indemnities constitute a separate and independent obligation from the Issuer's and the Guarantors' other obligations, will give rise to a separate and independent cause of action, will apply irrespective of any waiver granted by any Holder of a Note or the Trustee (other than a waiver of the indemnities set out herein) and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or any Notes Guarantee, or to the Trustee.

Except as otherwise specifically set forth herein, for purposes of determining compliance with any euro-denominated restriction herein, the euro equivalent amount for purposes hereof that is denominated in a non-euro currency shall be calculated based on the relevant currency exchange rate in effect on the date such non-euro amount is Incurred or made, as the case may be.

Listing

Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and to admit the Notes to trading on the Euro MTF thereof. There can be no assurance that the application to list the Notes on the Official List of the Luxembourg Stock Exchange and to admit the Notes on the Euro MTF will be approved and settlement of the Notes is not conditioned on obtaining such listing.

Enforceability of Judgments

Since substantially all of the assets of the Issuer and the Guarantor are located outside the United States, any judgment obtained in the United States against the Issuer or the Guarantor, including judgments with respect to the payment of principal, premium, interest, Additional Amounts, if any, and any redemption price and any purchase price with respect to the Notes, may not be collectable within the United States.

Consent to Jurisdiction and Service

In relation to any legal action or proceedings arising out of or in connection with the Indenture, the Notes Guarantees and the Notes, the Issuer in the Indenture and the Guarantor and any future Guarantor in its respective supplemental indenture will irrevocably submit to the jurisdiction of the federal and state courts in the Borough of Manhattan in the City of New York, County and State of New York, United States. The Indenture will provide that the Issuer and each Guarantor, will appoint Law Debenture Corporate Services Inc., as their agent for service of process in any suit, action or proceeding with respect to the Indenture, the Notes and the Notes Guarantees brought in any U.S. federal or New York state court located in the City of New York.

Governing Law

The Indenture and the Notes, and the rights and duties of the parties thereunder, shall be governed by and construed in accordance with the laws of the State of New York. The

Intercreditor Agreement and the rights and duties of the parties thereunder shall be governed by and construed in accordance with the laws of England. The Security Documents will be governed by the laws of the jurisdiction of the relevant asset that is part of the Collateral.

Certain Definitions

"**Acquired Indebtedness**" means Indebtedness (1) of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary, or (2) assumed in connection with the acquisition of assets from such Person, in each case whether or not Incurred by such Person in connection with such Person becoming a Restricted Subsidiary or such acquisition or (3) of a Person at the time such Person merges with or into or consolidates or otherwise combines with the Issuer or any Restricted Subsidiary. Acquired Indebtedness shall be deemed to have been Incurred, with respect to clause (1) of the preceding sentence, on the date such Person becomes a Restricted Subsidiary and, with respect to clause (2) of the preceding sentence, on the date of consummation of such acquisition of assets and, with respect to clause (3) of the preceding sentence, on the date of the relevant merger, consolidation or other combination.

"**Affiliate**" of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "**control**" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "**controlling**" and "**controlled**" have meanings correlative to the foregoing.

"**Agreed Security Principles**" means the agreed security principles to be appended to the Revolving Credit Facility Agreement, as in effect on the Issue Date (and included as an exhibit to the Indenture), as applied *mutatis mutandis* with respect to the Notes in good faith by the Issuer.

"**Asset Disposition**" means any direct or indirect sale, lease (other than a Lease Obligation entered into in the ordinary course of business), transfer, issuance or other disposition, or a series of related sales, leases (other than a Lease Obligation entered into the ordinary course of business), transfers, issuances or dispositions that are part of a common plan, of shares or Capital Stock of a Subsidiary of the Issuer (other than directors' qualifying shares), property or other assets (each referred to for the purposes of this definition as a "**disposition**") by the Issuer or any Restricted Subsidiary, including any disposition by means of a merger, consolidation or similar transaction; *provided* that the sale, lease, conveyance or other disposition of all or substantially all of the assets of the Issuer will constitute a default under "*—Certain Covenants—Merger and Consolidation*" unless the conditions described therein are met. Notwithstanding the preceding provisions of this definition, the following items shall be deemed not to be Asset Dispositions:

(1) a disposition by the Issuer to a Restricted Subsidiary or by a Restricted Subsidiary to the Issuer or another Restricted Subsidiary;

(2) a disposition of cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;

(3) a disposition of inventory, trading stock, security equipment or other equipment or assets (including any real or personal property) in the ordinary course of business;

(4) a disposition of obsolete, damaged, retired, surplus or worn out equipment or assets or equipment, facilities or other assets that are no longer useful in the conduct of the business of the Issuer or the Restricted Subsidiaries and any transfer, termination, unwinding or other disposition of hedging instruments or arrangements not for speculative purposes;

(5) transactions permitted under "*—Certain Covenants—Merger and Consolidation*" or a transaction that constitutes a Change of Control;

(6) an issuance of Capital Stock by a Restricted Subsidiary to the Issuer or to another Restricted Subsidiary or as part of or pursuant to an equity incentive or compensation plan approved or ratified by the Board of Directors of the Issuer or such Restricted Subsidiary or the issuance of directors' qualifying shares and shares issued to individuals as required by applicable law;

(7) any dispositions of Capital Stock, properties or assets in a single transaction or series of related transactions with a fair market value (as determined in good faith by the Issuer) not to exceed the greater of €10.0 million and 9% of Consolidated EBITDA;

(8) (a) any Restricted Payment which is permitted to be made, and is made, under the covenant described above under "*—Certain Covenants—Limitation on Restricted Payments*," (b) the making of any Restricted Payment, Permitted Payment or Permitted Investment or (c) solely for purposes of the second paragraph under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*," asset sales, leases, transfers or other dispositions to the extent the proceeds thereof are used to make Restricted Payments, Permitted Payments or Permitted Investments;

(9) the granting of Liens not prohibited pursuant to the conditions described above under "*—Certain Covenants—Limitation on Liens*";

(10) dispositions of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements or any sale of assets received by the Issuer or any Restricted Subsidiary upon the foreclosure of a Lien granted in favor of the Issuer or any Restricted Subsidiary;

(11) the licensing or sub-licensing of intellectual property or other general intangibles and licenses, sub-licenses, leases or subleases of other property, in each case, in the ordinary course of business;

(12) foreclosure, condemnation, taking by eminent domain or any similar action with respect to any property or other assets;

(13) the sale or discount (with or without recourse, and on customary or commercially reasonable terms) of Receivables or notes receivable arising in the ordinary course of business, or the conversion or exchange of Receivables for notes receivable;

(14) sales or dispositions of receivables in connection with (i) any Qualified Receivables Financing, (ii) any securitization, Receivables Financing or similar arrangement that would not be prohibited under clause (12)(b) under the second paragraph of "*—Certain Covenants—Limitation on Indebtedness*" or (iii) any factoring transaction or otherwise in the ordinary course of business;

(15) any issuance, sale or disposition of Capital Stock, Indebtedness or other securities of an Unrestricted Subsidiary;

(16) any disposition of Capital Stock of a Restricted Subsidiary pursuant to an agreement or other obligation with or to a Person (other than the Issuer or a Restricted Subsidiary) from whom such Restricted Subsidiary was acquired, or from whom such Restricted Subsidiary acquired its business and assets (having been newly formed in connection with such acquisition), made as part of such acquisition and in each case comprising all or a portion of the consideration in respect of such sale or acquisition;

(17) any surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind;

(18) any disposition of assets to a Person who is providing services related to such assets, the provision of which have been or are to be outsourced by the Issuer or any Restricted Subsidiary to such Person; *provided*, *however*, that the Board of Directors or an Officer of the Issuer shall determine in its good faith opinion that the outsourcing transaction will be economically beneficial to the Issuer or such Restricted Subsidiary (considered as a whole); provided further that the fair market value of the assets disposed of, when taken together with all other dispositions made pursuant to this clause (18), does not exceed €20.0 million;

(19) an issuance or sale by a Restricted Subsidiary of Preferred Stock or redeemable Capital Stock that would not be prohibited under "*Certain Covenants—Limitation on Indebtedness*";

(20) any disposition of Investments in joint ventures to the extent required by, or made pursuant to, customary buy/sell arrangements between the joint venture parties set forth in joint venture arrangements and similar binding agreements;

(21) any disposition with respect to property built, owned or otherwise acquired by the Issuer or any Restricted Subsidiary pursuant to customary sale and lease back transactions, asset securitizations and other similar financings permitted by the Indenture;

(22) the unwinding of any Cash Management Services or Hedging Obligations.; and

(23) any exchange of assets (including a combination of assets, cash and Cash Equivalents) for assets related to a Similar Business of comparable or greater market value or usefulness to the business of the Issuer and its Restricted Subsidiaries as a whole, as determined in good faith by the Issuer.

In the event that a transaction (or any portion thereof) meets the criteria of a permitted Asset Disposition and would also be a Permitted Investment or an Investment permitted under "*Certain Covenants—Limitation on Restricted Payments*," the Issuer, in its sole discretion, will be entitled to divide and classify such transaction (or such portion thereof) as an Asset Disposition and/or one of more of the types of Permitted Investments or Investments permitted under "*Certain Covenants—Limitation on Restricted Payments*."

"**Associate**" means (i) any Person engaged in a Similar Business of which the Issuer or one or more Restricted Subsidiaries is the legal and beneficial owner of between 20% and 50% of all outstanding Voting Stock and (ii) any joint venture entered into by the Issuer or any Restricted Subsidiary.

"**Board of Directors**" means with respect to (1) any corporation, the board of directors or managers or the sole director, as applicable, of the corporation, or any duly authorized committee thereof; (2) any partnership, the board of directors or other governing body of the general partner of the partnership or any duly authorized committee thereof; and (3) any other Person, the board or any duly authorized committee of such Person serving a similar function. Whenever any provision of the Indenture requires any action or determination to be made by, or any approval or ratification of, a Board of Directors, such action, determination or approval shall be deemed to have been taken or made if approved or ratified, as the case may be, by a majority of the directors (excluding employee representatives, if any) on any such Board of Directors (whether or not such action or approval or ratification is taken as part of a formal board meeting or as a formal board approval or ratification).

"**Business Day**" means each day that is not a Saturday, Sunday or other day on which banking institutions in Luxembourg, Milan, Italy or London, United Kingdom are authorized or required by law to close.

"**Capital Stock**" of any Person means any and all shares of, rights to purchase, warrants or options for, or other equivalents of or partnership or other interests in (however designated), equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity.

"**Cash Equivalents**" means:

(1) securities issued or directly and fully Guaranteed or insured by the United States or Canadian governments, a member state of the European Union, the United Kingdom, Switzerland or Norway or, in each case, any agency or instrumentality thereof (provided that the full faith and credit of such country or such member state is pledged in support thereof), having maturities of not more than two years from the date of acquisition;

(2) certificates of deposit, time deposits, eurodollar or other recognized time deposits, overnight bank deposits or bankers' acceptances having maturities of not more than one year from the date of acquisition thereof issued by any lender party to the Revolving Credit Facility or by any bank or trust company (a) whose commercial paper is rated at least "A-2" or the

equivalent thereof (or has an equivalent long-term rating) by S&P or at least "P-2" or the equivalent thereof (or has an equivalent long-term rating) by Moody's or at least "F2" or the equivalent thereof (or has an equivalent long-term rating) by Fitch (or if at the time none of the foregoing is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) or (b) (in the event that the bank or trust company does not have commercial paper which is rated) having combined capital and surplus in excess of €250 million;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (1) and (2) entered into with any bank meeting the qualifications specified in clause (2) above;

(4) commercial paper rated at the time of acquisition thereof at least "A-2" or the equivalent thereof by S&P, at least "P-2" or the equivalent thereof by Moody's or at least "F2" or the equivalent thereof by Fitch or carrying an equivalent rating by a Nationally Recognized Statistical Rating Organization if the three named Rating Agencies cease publishing ratings of investments or, if no rating is available in respect of the commercial paper, the issuer of which has an equivalent rating in respect of its long-term debt, and in any case maturing within one year after the date of acquisition thereof;

(5) readily marketable direct obligations issued by the United States of America, any state of the United States of America, Canada, any province of Canada, any member of the European Union, the United Kingdom, Switzerland or Norway or any political subdivision thereof, in each case, having one of the two highest rating categories obtainable from either Fitch, Moody's or S&P (or, if at the time, none of the foregoing is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of not more than two years from the date of acquisition;

(6) Indebtedness or preferred stock issued by Persons with a rating of "BBB–" or higher from S&P or "Baa3" or higher from Moody's (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of 12 months or less from the date of acquisition;

(7) bills of exchange issued in the United States, Canada, a member state of the European Union, the United Kingdom, Switzerland, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);

(8) with respect to a jurisdiction in which (a) the Issuer or a Restricted Subsidiary conducts its business or is organized and (b) it is not commercially practicable to make investments in clauses (1), (2) or (3) of this definition, demand or time deposit accounts, certificates of deposit, overnight or call deposits and money market deposits with any bank, trust company or similar entity, which would rank, in terms of combined capital and surplus and undivided profits or the ratings on its long-term debt, among the top five banks in such jurisdiction, in an amount not to exceed cash generated in or reasonably required for operation in such jurisdiction;

(9) other short-term investments utilized by Restricted Subsidiaries in accordance with normal investment practices for cash management; provided that such deposits do not exceed €5.0 million (or the Euro-Equivalent thereof) with any single bank or €20.0 million (or the Euro-Equivalent thereof) in the aggregate at any date of determination thereafter; and

(10) interests in any investment company, money market or enhanced high yield fund which invests 95% or more of its assets in instruments of the type specified in clauses (1) through (7) above.

"**Cash Management Services**" means any of the following: automated clearing house transactions, treasury, depository, credit or debit card, purchasing card, stored value card, electronic fund transfer services and/or cash management services, including controlled disbursement services, overdraft facilities, foreign exchange facilities, deposit and other accounts

and merchant services or other cash management arrangements in the ordinary course of business or consistent with past practice.

"**Change of Control**" means the occurrence of any of the following:

(1) the Issuer becoming aware of (by way of a report or any other filing pursuant to Section 13(d) of the Exchange Act, proxy, vote, written notice or otherwise) any "person" or "group" of related persons (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act as in effect on the Issue Date), other than one or more Permitted Holders, is or becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act as in effect on the Issue Date), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the Issuer; or

(2) the sale, lease, transfer, conveyance or other disposition (other than by way of merger, consolidation or other business combination transaction), in one or a series of related transactions, of all or substantially all of the assets of the Issuer and its Restricted Subsidiaries (taken as a whole) to a Person, other than the Issuer or a Restricted Subsidiary or one or more Permitted Holders;

Notwithstanding the foregoing, (a) a transaction will not be deemed to involve a Change of Control solely as a result of the Issuer becoming a direct or indirect wholly owned subsidiary of a holding company if (i) the direct or indirect holders of the Voting Stock of such holding company immediately following that transaction are substantially the same as the holders of the Issuer's Voting Stock immediately prior to that transaction or (ii) immediately following that transaction no Person (other than (x) one or more Permitted Holders and/or (y) one or more companies satisfying the requirements of this sentence) is the beneficial owner, directly or indirectly, of more than 50% of the Voting Stock of the holding company, and (b) the right to acquire Voting Stock (so long as such Person does not have the right to direct the voting of the Voting Stock subject to such right) or any veto power in connection with the acquisition or disposition of Voting Stock will not cause a party to be a beneficial owner.

"**Clearstream**" means Clearstream Banking, S.A., as currently in effect or any successor securities clearing agency.

"**Collateral**" means any and all assets from time to time in which a security interest has been or will be granted on the Issue Date or thereafter to secure the obligations under the Indenture, the Notes and/or any Notes Guarantee.

"**Commodity Hedging Agreement**" means, with respect to any Person, any commodity price protection agreement, commodity price future agreement, commodity price option agreement, any commodity swap agreement, commodity cap agreement, commodity collar agreement, commodity price option agreement or similar agreement or arrangements to which such Person is party or a beneficiary providing for the transfer or mitigation of commodity price risks either generally or under specific contingencies.

"**Consolidated Depreciation and Amortization Expense**" means, with respect to any Person for any period, the total amount of depreciation and amortization expense, including amortization or write-off of (i) intangibles and non-cash organization costs, (ii) deferred financing fees or costs and (iii) capitalized expenditures, customer acquisition costs and incentive payments, conversion costs and contract acquisition costs, the amortization of original issue discount resulting from the issuance of Indebtedness at less than par and amortization of favorable or unfavorable lease assets or liabilities, of such Person and its Subsidiaries that are Restricted Subsidiaries for such period on a consolidated basis and otherwise determined in accordance with IFRS and any write down of assets or asset value carried on the balance sheet.

"**Consolidated EBITDA**" means, with respect to any Person for any period, the Consolidated Net Income of such Person for such period:

(1) increased (without duplication) by the following to the extent deducted in calculating such Consolidated Net Income:

(a) provision for taxes based on income or profits, revenue or capital, including federal, state, provincial, territorial, local, foreign, unitary, excise, property, franchise and similar taxes and foreign withholding and similar taxes of such Person paid or accrued during such period, including any penalties and interest relating to any tax examinations (including any additions to such taxes, and any penalties and interest with respect thereto), deducted (and not added back) in computing Consolidated Net Income; *plus*

(b) Fixed Charges of such Person for such period (including (x) net losses on any Hedging Obligations or other derivative instruments entered into for the purpose of hedging interest rate, currency or commodities risk, (y) bank fees and (z) costs of surety bonds in connection with financing activities), plus amounts excluded from the definition of "Consolidated Interest Expense" pursuant to clauses (i) through (iii), in each case, to the extent the same were deducted (and not added back) in calculating such Consolidated Net Income; *plus*

(c) Consolidated Depreciation and Amortization Expense of such Person for such period to the extent the same were deducted (and not added back) in computing Consolidated Net Income; *plus*

(d) any (x) Transaction Expenses and (y) any fees, costs, expenses or charges (other than Consolidated Depreciation and Amortization Expense) related to any actual, proposed or contemplated Equity Offering (including any expense relating to enhanced accounting functions or other transactions costs associated with becoming a public company), Investment, acquisition, disposition, recapitalization or the Incurrence of Indebtedness permitted to be Incurred under the Indenture (including a refinancing thereof) (whether or not successful), in each case, including (i) such fees, expenses or charges (including rating agency fees and related expenses) related to the offering of the Notes, the Revolving Credit Facility, the offering of any other debt securities, any other Credit Facility and any Receivables Fees, and (ii) any amendment, waiver or other modification of the Notes, the Revolving Credit Facility, the Intercreditor Agreement, any Security Documents, factoring financings, securitizations, Receivables Financings or similar arrangements, any other Credit Facility, any other Indebtedness permitted to be Incurred under the Indenture or any Equity Offering, in each case, whether or not consummated, to the extent the same were deducted (and not added back) in computing Consolidated Net Income; *plus*

(e) (i) the amount of any restructuring charge, accrual or reserve (and adjustments to existing reserves), integration cost or other business optimization expense or cost (including charges directly related to the implementation of cost-savings initiatives) that is deducted (and not added back) in such period in computing Consolidated Net Income, including any one-time costs Incurred in connection with acquisitions or divestitures after the Issue Date, including those related to any severance, retention, signing bonuses, relocation, recruiting and other employee related costs, internal costs in respect of strategic initiatives and curtailments or modifications to pension and post-retirement employment benefit plans (including any settlement of pension liabilities), systems development and establishment costs, future lease commitments and costs related to the opening and closure and/or consolidation of facilities and to exiting lines of business and consulting fees Incurred with any of the foregoing and (ii) fees, costs and expenses associated with acquisition related litigation and settlements thereof; *plus*

(f) any other non-cash charges, write-downs, expenses, losses or items reducing Consolidated Net Income for such period including any impairment charges or the

impact of purchase accounting; *provided* that if any such non-cash charge, write-down or item to the extent it represents an accrual or reserve for a cash expenditure for a future period then the cash payment in such future period shall be subtracted from Consolidated EBITDA when paid or other items classified by the Issuer as special items less other non-cash items of income increasing Consolidated Net Income (excluding any such non-cash item of income to the extent it represents a receipt of cash in any future period); *plus*

(g) the amount of board of director fees, management, monitoring, advisory, consulting, refinancing, subsequent transaction, advisory and exit fees (including termination fees) and related indemnities and expenses paid or accrued in such period to any member of the Board of Directors of the Issuer, any Permitted Holder or any Affiliate of a Permitted Holder to the extent permitted under "*—Certain Covenants—Limitation on Affiliate Transactions*"; *plus*

(h) the "run rate" cost savings, operating expense reductions, restructuring charges and expenses and synergies that are expected (in good faith) to be realized as a result of actions taken or expected to be taken within 18 months after the date of any acquisition (including the Transactions), disposition, divestiture, restructuring or the implementation of a cost savings or other similar initiative or related to information and technology system establishment, modernization or modification, operating improvement, procurement rationalization, modification or renegotiation of contracts or any other similar initiative (calculated on a *pro forma* basis as though such cost savings, operating expense reductions, restructuring charges and expenses and synergies had been realized from the first day of such period and during the entirety of such period), net of the amount of actual benefits realized during such period from such actions (which adjustments, without double counting, may be incremental to *pro forma* adjustments made pursuant to the definition of "Fixed Charge Coverage Ratio"); *provided* that (i) such actions are expected to be taken (in the good faith determination of the Issuer) within 18 months after the consummation of the acquisition, disposition, restructuring or the implementation of an initiative, as applicable, which is expected to result in cost savings, operating expense reductions, synergies, losses, charges, expenses or negative EBITDA contribution; (ii) the aggregate amount added back pursuant to this clause (h) for the period for which Consolidated EBITDA is being determined shall not exceed 20.0% of the Consolidated EBITDA for such period (calculated after giving full effect to the *pro forma* adjustments set forth in this clause (h)); and (iii) that no cost savings, operating expense reductions, synergies, losses, charges, expenses or negative EBITDA contribution shall be added (or removed, as applicable) pursuant to this defined term to the extent duplicative of any expenses or charges otherwise added to Consolidated EBITDA, whether through a *pro forma* adjustment or otherwise, for such period; *plus*

(i) the amount of loss or discount on sale of Receivables Assets and related assets to a Receivables Subsidiary in connection with a factoring financing, securitization, Receivables Financing or similar arrangement; *plus*

(j) any costs or expense Incurred by the Issuer or a Restricted Subsidiary pursuant to any management equity plan or stock option plan or any other management or employee benefit plan or agreement, any severance agreement or any stock subscription or shareholder agreement, to the extent that such cost or expenses are funded with cash proceeds contributed to the capital of the Issuer or Net Cash Proceeds of an issuance of Capital Stock (other than Disqualified Stock) of the Issuer solely to the extent that such Net Cash Proceeds are excluded from the calculation set forth in clause (c) of the second paragraph under "*—Certain Covenants—Limitation on Restricted Payments*"; *plus*

(k) cash receipts (or any netting arrangements resulting in reduced cash expenditures) not representing Consolidated EBITDA or Consolidated Net Income in any period to the extent non-cash gains relating to such income were deducted in the calculation of

Consolidated EBITDA pursuant to clause (2) below for any previous period and not added back; *plus*

(l) any net loss included in the Consolidated Net Income attributable to non-controlling interests; *plus*

(m) realized foreign exchange losses resulting from the impact of foreign currency changes on the valuation of assets or liabilities on the balance sheet of the Issuer and the Restricted Subsidiaries; *plus*

(n) net realized losses from Hedging Obligations or embedded derivatives; *plus*

(o) the amount of any minority interest expense consisting of Subsidiary income attributable to minority equity interests of third parties in any non-wholly owned Subsidiary, and any costs and expenses (including all legal, accounting and other professional fees and expenses) related thereto; *plus*

(p) with respect to any joint venture, an amount equal to the proportion of those items described in clauses (a) and (c) above relating to such joint venture corresponding to the Issuer's and the Restricted Subsidiaries' proportionate share of such joint venture's Consolidated Net Income (determined as if such joint venture were a Restricted Subsidiary) to the extent the same was deducted (and not added back) in calculating Consolidated Net Income; *plus*

(q) earn-out and contingent consideration obligations (including to the extent accounted for as bonuses or otherwise) and adjustments thereof and purchase price adjustments; *plus*

(r) any net pension or other post-employment benefit costs representing amortization of unrecognized prior service costs, actuarial losses, including amortization of such amounts arising in prior periods, amortization of the unrecognized net obligation (and loss or cost), and any other items of a similar nature; *plus*

(s) the amount of expenses relating to payments made to option holders of the Issuer or any Parent in connection with, or as a result of, any distribution being made to equityholders of such Person or its Parents, which payments are being made to compensate such option holders as though they were equityholders at the time of, and entitled to share in, such distribution, in each case to the extent permitted under the Indenture; *plus*

(t) to the extent not already otherwise included herein, adjustments and add-backs made in calculating "*Pro Forma* Normalized EBITDA" for the twelve months ended September 30, 2020, included in the Offering Memorandum; *plus*

(u) earn out obligations Incurred in connection with any permitted acquisition or other Investment permitted under the Indenture and paid or accrued during such period; *plus*

(v) the amount of any losses, restructuring charges or reserves, start-up or initial costs for any project or new production line, division or new business line or other business optimization expenses or reserves, including, without limitation, costs or reserves associated with legal or financial advisor costs; and

(2) decreased (without duplication) by non-cash gains increasing Consolidated Net Income of such Person for such period, excluding any non-cash gains to the extent they represent the reversal of an accrual or reserve for a potential cash item that reduced Consolidated EBITDA in any prior period.

For purposes of calculating Consolidated EBITDA for the purpose of any basket or ratio under the Indenture, Consolidated EBITDA shall be the Consolidated EBITDA of the Issuer measured for the period of the most recently completed four full consecutive fiscal quarters ending prior to the

date of such determination for which internal consolidated financial statements of the Issuer are available, in each case with such *pro forma* adjustments giving effect to the incurrence or discharge of Indebtedness and the consummation of acquisitions, disposals, consolidations, mergers and Investments, as applicable, since the start of such four fiscal quarters and as are consistent with the *pro forma* adjustments set forth in the definition of "Fixed Charge Coverage Ratio."

"**Consolidated Interest Expense**" means, for any Person for any period (in each case, determined on the basis of IFRS), the consolidated net interest income (expense) of such Person and its Restricted Subsidiaries, whether paid or accrued, to the extent such expense was deducted (and not added back) in computing Consolidated Net Income (as applicable), *plus* (without duplication) any interest, costs and charges consisting of:

(1) interest expense attributable to Lease Obligations;

(2) amortization of original issue discount (but not including deferred financing fees, debt issuance costs, commissions, fees and expenses) and any other consideration given by the Issuer or the Restricted Subsidiaries during the relevant period, and relating to that period, in connection with any acceptance credit, bill discounting debt factoring or other similar arrangement;

(3) non-cash interest expense;

(4) costs associated with Hedging Obligations (excluding amortization of fees or any non-cash interest expense attributable to the movement in mark-to-market valuation of such obligations);

(5) the product of (a) all dividends or other distributions in respect of all Disqualified Stock of such Person and all Preferred Stock of any Restricted Subsidiary of such Person, to the extent held by Persons other than such Person or a Restricted Subsidiary of such Person, *multiplied by* (b) a fraction, the numerator of which is one and the denominator of which is one *minus* the then current combined national, state and local statutory tax rate of such Person, expressed as a decimal, as estimated in good faith by the Issuer;

(6) interest capitalized in the relevant period and not recorded as interest expense in such period; and

(7) cash interest actually paid by such Person under any Guarantee of Indebtedness or other obligation of any other Person,

minus (i) accretion or accrual of discounted liabilities other than Indebtedness, (ii) any expense resulting from the discounting of any Indebtedness in connection with the application of purchase accounting in connection with any acquisition and depreciation charges in respect of interest capitalized in a period following the Issue Date, (iii) interest with respect to Indebtedness of any Holding Company of such Person appearing upon the balance sheet of such Person solely by reason of push-down accounting under IFRS and (iv) any Additional Amounts with respect to the Notes or other similar tax gross-up on any Indebtedness, which is included in interest expense under IFRS.

Notwithstanding any of the foregoing, Consolidated Interest Expense shall not include (i) any interest accrued, capitalized or paid in respect of Subordinated Shareholder Funding, (ii) any commissions, discounts, yield and other fees and charges related to Qualified Receivables Financings, (iii) any interest accrued, capitalized or paid in respect of any proceeds loan, to the extent that interest on a Guarantee of Indebtedness of a Parent to which such proceeds loan relates is included in Consolidated Interest Expense pursuant to clause (7) above for the same period.

"**Consolidated Net Income**" means, with respect to any Person for any period, the net income (loss) of such Person and its Subsidiaries that are Restricted Subsidiaries for such period

determined on a consolidated basis on the basis of IFRS; *provided*, *however*, that there will not be included in such Consolidated Net Income:

(1) any net income (loss) of any Person if such Person is not a Restricted Subsidiary (including any net income (loss) from Investments recorded in such Person under the equity method of accounting), except that the Issuer's equity in the net income of any such Person for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that (as reasonably determined by an Officer of the Issuer) could have been distributed by such Person during such period to the Issuer or a Restricted Subsidiary as a dividend or other distribution or return on investment (subject, in the case of a dividend or other distribution or return on investment to a Restricted Subsidiary, to the limitations contained in clause (2) below);

(2) solely for the purpose of determining the amount available for Restricted Payments under clause (c)(i) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*," any net income (loss) of any Restricted Subsidiary (other than a Guarantor) if such Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary, directly or indirectly, to the Issuer or a Guarantor by operation of the terms of such Restricted Subsidiary's articles, charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its shareholders (other than (a) restrictions that have been waived or otherwise released, (b) restrictions pursuant to the Revolving Credit Facility as in effect on the Issue Date, the Intercreditor Agreement, any Additional Intercreditor Agreement, the Notes or the Indenture, (c) contractual restrictions (including pursuant to the Revolving Credit Facility Agreement and the Intercreditor Agreement) in effect on the Issue Date and other restrictions with respect to such Restricted Subsidiary that, taken as a whole, are not materially less favorable to the Holders than such restrictions in effect on the Issue Date, and (d) restrictions specified in clause (11)(b) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Restrictions on Distributions from Restricted Subsidiaries*") except that the Issuer's equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to the Issuer or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary, to the limitation contained in this clause);

(3) any gain (or loss), together with any related provisions for taxes on any such gain (or the tax effect of any such loss), realized upon the sale or other disposition of any asset (including pursuant to any Sale and Leaseback Transaction) or disposed or discontinued operations of the Issuer or any Restricted Subsidiaries which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by the Issuer);

(4) any extraordinary, exceptional, unusual or nonrecurring gain, loss, charge or expense, including Transaction Expenses or any charges, expenses or reserves in respect of any restructuring, redundancy or severance expense or relocation costs, one-time compensation charges, integration and facilities' opening costs and other business optimization expenses and operating improvements (including related to new product introductions), systems development and establishment costs, accruals or reserves (including restructuring and integration costs related to acquisitions after the Issue Date and adjustments to existing reserves), whether or not classified as restructuring expense on the consolidated financial statements, signing costs, retention or completion bonuses, transition costs, costs, provisions, charges, fines, penalties or other expenses related to governmental or other investigations or owed or paid to governments, regulators or other authorities pursuant to court orders, judgments or other decisions, costs related to closure, consolidation or disruption of facilities, litigation or asset impairment charges or the financial impact of natural disasters (including fire and storm and related events), internal costs in respect of strategic initiatives

and curtailments or modifications to pension and post-retirement employee benefit plans (including any settlement of pension liabilities), contract terminations and professional and consulting fees Incurred with any of the foregoing;

(5) the cumulative effect of a change in law, regulation or accounting principles at any time following the Issue Date;

(6) any (i) non-cash compensation charge or expense arising from any grant of stock, stock options or other equity based awards and any non-cash deemed finance charges in respect of any pension liabilities or other provisions or on the revaluation of any benefit plan obligation and (ii) income (loss) attributable to deferred compensation plans or trusts;

(7) all deferred financing costs written off and premiums paid or other expenses Incurred directly in connection with any early extinguishment of Indebtedness and any net gain (loss) from any write-off or forgiveness of Indebtedness;

(8) any unrealized gains or losses in respect of any Hedging Obligations or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value of changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of any Hedging Obligations;

(9) any fees and expenses (including any transaction or retention bonus or similar payment) Incurred during such period, or any amortization thereof for such period, in connection with any acquisition, Investment, disposition of assets or securities, issuance or repayment of Indebtedness, issuance of Capital Stock, refinancing transaction or amendment or modification of any debt instrument (in each case, including any such transaction consummated prior to the Issue Date and any such transaction undertaken but not completed) and any charges or non-recurring merger costs Incurred during such period as a result of any such transaction, in each case whether or not successful;

(10) any unrealized foreign currency transaction gains or losses in respect of Indebtedness of any Person denominated in a currency other than the functional currency of such Person, and any unrealized foreign currency transaction gains or losses in respect of Indebtedness or other obligations of the Issuer or any Restricted Subsidiary owing to the Issuer or any Restricted Subsidiary and any unrealized foreign exchange gains or losses relating to translation of assets and liabilities denominated in foreign currencies;

(11) any unrealized or realized gain or loss due solely to fluctuations in currency values and the related tax effects, determined in accordance with IFRS;

(12) any recapitalization accounting or purchase accounting effects, including, but not limited to, adjustments to inventory, property and equipment, software and other intangible assets and deferred revenue in component amounts required or permitted by IFRS and related authoritative pronouncements (including the effects of such adjustments pushed down to the Issuer and the Restricted Subsidiaries), as a result of any consummated acquisition (including in connection with the Transactions), or the amortization or write-off of any amounts thereof (including any write-off of in process research and development);

(13) any impairment charge, write-off or write-down, including impairment charges, write-offs or write-downs related to intangible assets, long-lived assets, goodwill, investments in debt or equity securities (including any losses with respect to the foregoing in bankruptcy, insolvency or similar proceedings) and the amortization of intangibles arising pursuant to IFRS;

(14) any effect of income (loss) from the early extinguishment or cancellation of Indebtedness or any Hedging Obligations or other derivative instruments;

(15) accruals and reserves that are established or adjusted (including any adjustment of estimated payouts on existing earn-outs) that are so required to be established as a result of the Transactions in accordance with IFRS, or changes as a result of adoption or modification of accounting policies;

(16) any costs associated with the Transactions;

(17) any non-cash expenses, accruals or reserves related to adjustments to historical tax exposures and any deferred tax expense associated with tax deductions or net operating losses arising as a result of the Transactions, or the release of any valuation allowances related to such item;

(18) any (i) payments to third parties in respect of research and development, including amounts paid upon signing, success, completion and other milestones and other progress payments, to the extent expensed and (ii) effects of adjustments to accruals and reserves during a period relating to any change in the methodology of calculating reserves for returns, rebates and other chargebacks (including government program rebates);

(19) any net gain (or loss) from disposed, abandoned or discontinued operations and any net gain (or loss) on disposal of disposed, discontinued or abandoned operations; and

(20) the impact of capitalized, accrued or accreting or pay-in-kind interest or principal on Subordinated Shareholder Funding.

In addition, to the extent not already included in the Consolidated Net Income of such Person and its Subsidiaries that are Restricted Subsidiaries, notwithstanding anything to the contrary in the foregoing, Consolidated Net Income shall include (i) any expenses and charges that are reimbursed by indemnification or other reimbursement provisions in connection with any investment or any sale, conveyance, transfer or other disposition of assets permitted hereunder, or, so long as the Issuer has made a determination that there exists reasonable evidence that such amount will in fact be reimbursed and only to the extent that such amount is (A) not denied by the applicable payor in writing within 180 days and (B) in fact reimbursed within 365 days of the date of such evidence (with a deduction for any amount so added back to the extent not so reimbursed within 365 days) and (ii) to the extent covered by insurance (including business interruption insurance) and actually reimbursed, or, so long as the Issuer has made a determination that there exists reasonable evidence that such amount will in fact be reimbursed by the insurer and only to the extent that such amount is (A) not denied by the applicable carrier in writing within 180 days and (B) in fact reimbursed within 365 days of the date of such evidence (with a deduction for any amount so added back to the extent not so reimbursed within 365 days), expenses with respect to liability or casualty events or business interruption.

"**Consolidated Net Leverage**" means, without double-counting, the sum of the aggregate outstanding Indebtedness and the Reserved Indebtedness Amount of the Issuer on a consolidated basis (excluding (x) Hedging Obligations entered into not for speculative purposes (as determined in good faith by the Issuer) and (y) Indebtedness with respect to Cash Management Services), less the sum (which shall in no case be less than zero) of the aggregate amount of cash and Cash Equivalents that would be stated on the consolidated balance sheet of the Issuer as of such date in accordance with IFRS.

"**Consolidated Net Leverage Ratio**" means, as of any date of determination, the ratio of (x) Consolidated Net Leverage at such date to (y) the Consolidated EBITDA of the Issuer; *provided*, *however*, that (other than in connection with the making of any Restricted Payment pursuant to clause (10)(ii) of the third paragraph of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*") the *pro forma* calculation shall not give effect to (i) any Indebtedness Incurred on such determination date pursuant to the provisions described in the second paragraph under "*—Certain Covenants—Limitation on Indebtedness*" (other than Indebtedness Incurred pursuant to clauses (5)(II) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*") or (ii) the discharge on such determination date of any Indebtedness to the extent that such discharge results from the proceeds Incurred pursuant to the provisions described in the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" (other than the discharge of Indebtedness using proceeds of Indebtedness Incurred pursuant to clause (5)(II) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*").

"**Consolidated Senior Secured Net Leverage Ratio**" means the Consolidated Net Leverage Ratio, but calculated by excluding all Indebtedness other than Senior Secured Indebtedness and the Reserved Indebtedness Amount that, upon Incurrence, would not constitute Senior Secured Indebtedness.

"**Contingent Obligations**" means, with respect to any Person, any obligation of such Person guaranteeing in any manner, whether directly or indirectly, any Lease Obligation which would be considered an operating lease under IAS 17 (*Leases*), dividend or other obligation that does not constitute Indebtedness ("**primary obligations**") of any other Person (the "**primary obligor**"), including any obligation of such Person, whether or not contingent:

(1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;

(2) to advance or supply funds:

  (a) for the purchase or payment of any such primary obligation; or

  (b) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or

(3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

"**Credit Facility**" means, with respect to the Issuer or any Restricted Subsidiary, one or more debt facilities, arrangements, instruments, trust deeds or indentures (including the Revolving Credit Facility Agreement or commercial paper facilities and overdraft facilities) with banks, institutions or investors providing for revolving credit loans, performance guarantees, term loans, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), notes, letters of credit or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or other banks, institutions or investors and whether provided under the original Revolving Credit Facility or one or more other credit or other agreements, indentures, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any Guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other Guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term "Credit Facility" shall include any agreement or instrument (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Issuer as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

"**Currency Agreement**" means, in respect of a Person, any foreign exchange contract, currency swap agreement, currency futures contract, currency option contract, currency derivative or other similar agreement or arrangement to which such Person is a party or beneficiary.

"**Default**" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"**Designated Non-Cash Consideration**" means the fair market value (as determined in good faith by the Board of Directors or a member of senior management of the Issuer) of non-cash consideration received by the Issuer or one or more Restricted Subsidiaries in connection with an Asset Disposition that is so designated as Designated Non-Cash Consideration pursuant to an

Officer's Certificate, setting forth the basis of such valuation, less the amount of cash, Cash Equivalents or Temporary Cash Investments received in connection with a subsequent payment, redemption, retirement, sale or other disposition of such Designated Non-Cash Consideration. A particular item of Designated Non-Cash Consideration will no longer be considered to be outstanding when and to the extent it has been paid, redeemed or otherwise retired or sold or otherwise disposed of in compliance with the conditions described under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*."

"**Designated Preference Shares**" means, with respect to the Issuer or any Parent, Preferred Stock (other than Disqualified Stock) (a) that is issued for cash (other than to the Issuer or a Subsidiary of the Issuer or an employee stock ownership plan or trust established by the Issuer or any such Subsidiary for the benefit of their employees to the extent funded by the Issuer or such Subsidiary) and (b) that is designated as "Designated Preference Shares" pursuant to an Officer's Certificate of the Issuer at or prior to the issuance thereof, the Net Cash Proceeds of which are excluded from the calculation set forth in clause (c)(ii) and (c)(iii) of the second paragraph of covenant described under "*—Certain Covenants—Limitation on Restricted Payments*."

"**Disqualified Stock**" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable, in each case, at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, in each case on or prior to the date that is 90 days after the earlier of (a) the Stated Maturity of the Notes or (b) the date on which there are no Notes outstanding. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the issuer thereof to repurchase such Capital Stock upon the occurrence of a Change of Control or an Asset Disposition will not constitute Disqualified Stock if the terms of such Capital Stock provide that the issuer thereof may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption would not be prohibited under "*—Certain Covenants—Limitation on Restricted Payments*." For purposes hereof, the amount of Disqualified Stock which does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Stock as if such Disqualified Stock were purchased on any date on which Indebtedness shall be required to be determined pursuant to the Indenture, and if such price is based upon, or measured by, the fair market value of such Disqualified Stock, such fair market value to be determined as set forth herein. Only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date will be deemed to be Disqualified Stock.

"**Equity Offering**" means (x) a sale of Capital Stock of a Parent, the Issuer or a Restricted Subsidiary (other than to the Issuer or any Restricted Subsidiaries) (other than Disqualified Stock and other than offerings registered on Form S-8 (or any successor form) under the Securities Act or any similar offering in other jurisdictions), or (y) the sale of Capital Stock by any Person (other than to the Issuer or any Restricted Subsidiaries), in each case the proceeds of which are contributed as Subordinated Shareholder Funding or to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through Excluded Contributions or Parent Debt Contributions) of the Issuer or any of the Restricted Subsidiaries.

"**Escrowed Proceeds**" means the proceeds from the offering of any debt securities or other Indebtedness paid into escrow accounts with an independent escrow agent on the date of the applicable offering or incurrence pursuant to escrow arrangements that permit the release of amounts on deposit in such escrow accounts upon satisfaction of certain conditions or the occurrence of certain events. The term "Escrowed Proceeds" shall include any interest earned on the amounts held in escrow.

"**Euroclear**" means Euroclear Bank SA/NV or any successor securities clearing agency.

"**European Government Obligations**" means any security denominated in euro that is (1) a direct obligation of any country that is a member of the European Monetary Union and whose

long-term debt is rated "A-1" or higher by Moody's or "A+" or higher by S&P or the equivalent rating category of another Nationally Recognized Statistical Rating Organization on the Issue Date, for the payment of which the full faith and credit of such country is pledged or (2) an obligation of a person controlled or supervised by and acting as an agency or instrumentality of any such country the payment of which is unconditionally Guaranteed as a full faith and credit obligation by such country, which, in either case under the preceding clause (1) or (2), is not callable or redeemable at the option of the issuer thereof.

"**European Union**" means all members of the European Union as of the Issue Date.

"**Exchange Act**" means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

"**Excluded Contribution**" means Net Cash Proceeds or property or assets received by the Issuer after the Issue Date (other than through the issuance of Disqualified Stock or Designated Preference Shares or Parent Debt Contributions) as capital contributions to the equity of the Issuer or from the issuance or sale (other than to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) of Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding of the Issuer, in each case, to the extent designated as an Excluded Contribution pursuant to an Officer's Certificate of the Issuer.

"**fair market value**" wherever such term is used in this "*Description of the Notes*" or the Indenture (except in relation to an enforcement action pursuant to the Intercreditor Agreement and except as otherwise specifically provided in this "*Description of the Notes*" or the Indenture), may be conclusively established by means of an Officer's Certificate or a resolution of the Board of Directors of the Issuer setting out such fair market value as determined by such Officer or such Board of Directors in good faith.

"**Fitch**" means Fitch Ratings Inc., or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"**Fixed Charge Coverage Ratio**" means, with respect to any Person on any determination date, the ratio of Consolidated EBITDA of such Person to the Fixed Charges of such Person for the most recently-completed four full consecutive fiscal quarters ending immediately prior to such determination date for which internal consolidated financial statements are available (the "**reference period**"). In the event that the Issuer or any Restricted Subsidiary Incurs, assumes, Guarantees, redeems, defeases, retires, extinguishes or otherwise discharges any Indebtedness (other than Indebtedness Incurred under any revolving credit facility unless such Indebtedness has been permanently repaid and has not been replaced) or has caused any Reserved Indebtedness Amount to be deemed to be Incurred or issues or redeems Disqualified Stock or Preferred Stock subsequent to the commencement of the reference period but prior to or simultaneously with the event for which the calculation of the Fixed Charge Coverage Ratio is made (the "**Fixed Charge Coverage Ratio Calculation Date**"), then the Fixed Charge Coverage Ratio shall be calculated giving *pro forma* effect to such Incurrence, deemed Incurrence, assumption, Guarantee, redemption, defeasance, retirement, extinguishment or other discharge of Indebtedness, or such issuance or redemption of Disqualified Stock or Preferred Stock, as if the same had occurred at the beginning of the applicable reference period; *provided*, *however*, that the *pro forma* calculation shall not give effect to: (i) any Fixed Charges attributable to Indebtedness Incurred on the Fixed Charge Coverage Ratio Calculation Date pursuant to the provisions described in the second paragraph under "*—Certain Covenants—Limitation on Indebtedness*" (other than Fixed Charges attributable to Indebtedness Incurred pursuant to clause (5)(II) of the second paragraph thereof) or (ii) Fixed Charges attributable to any Indebtedness discharged on such Fixed Charge Coverage Ratio Calculation Date to the extent that such discharge results from the proceeds Incurred pursuant to the provisions described under the second paragraph under "*—Certain Covenants—Limitation on Indebtedness*" (other than Fixed Charges attributable to Indebtedness discharged on such Fixed Charge Coverage Ratio

Calculation Date using proceeds of Indebtedness Incurred pursuant to clause (5)(II) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*").

For purposes of making the computation referred to above, any Investments, acquisitions, dispositions, mergers, amalgamations, consolidations and disposed operations that have been made by the Issuer or any of the Restricted Subsidiaries, during the reference period or subsequent to the reference period and on or prior to or simultaneously with the Fixed Charge Coverage Ratio Calculation Date shall be calculated on a *pro forma* basis assuming that all such Investments, acquisitions, dispositions, mergers, amalgamations, consolidations and disposed or discontinued operations (and the change in any associated fixed charge obligations and the change in Consolidated EBITDA resulting therefrom) had occurred on the first day of the reference period. If since the beginning of such period any Person that subsequently became a Restricted Subsidiary or was merged or amalgamated with or into the Issuer or any of the Restricted Subsidiaries since the beginning of such period shall have made any Investment, acquisition, disposition, merger, amalgamation, consolidation or disposed or discontinued operation that would have required adjustment pursuant to this definition, then the Fixed Charge Coverage Ratio shall be calculated giving *pro forma* effect thereto for such period as if such Investment, acquisition, disposition, merger, amalgamation, consolidation or disposed operation had occurred at the beginning of the reference period.

For purposes of this definition and the definition of "Consolidated EBITDA," "Consolidated Net Leverage Ratio" and "Consolidated Senior Secured Net Leverage Ratio," whenever *pro forma* effect is to be given to a transaction, the *pro forma* calculations shall be made in good faith by a responsible financial or chief accounting officer of the Issuer (and may include cost savings and synergies to the extent permitted in the definition of "Consolidated EBITDA"). If any Indebtedness bears a floating rate of interest and is being given *pro forma* effect, the interest on such Indebtedness shall be calculated as if the rate in effect on the Fixed Charge Coverage Ratio Calculation Date had been the applicable rate for the entire reference period (taking into account any Hedging Obligations applicable to such Indebtedness). Interest on a Lease Obligation shall be deemed to accrue at an interest rate reasonably determined by a responsible financial or accounting officer of the Issuer to be the rate of interest implicit in such Lease Obligation in accordance with IFRS. For purposes of making the computation referred to above, interest on any Indebtedness under a revolving credit facility computed on a *pro forma* basis shall be computed based upon the average daily balance of such Indebtedness during the reference period except as set forth in the first paragraph of this definition. Interest on Indebtedness that may optionally be determined at an interest rate based upon a factor of a prime or similar rate, a eurocurrency interbank offered rate, or other rate, shall be determined to have been based upon the rate actually chosen, or if none, then based upon such optional rate chosen as the Issuer may designate.

"**Fixed Charges**" means, with respect to any specified Person for any period, the sum, without duplication, of:

(1) the Consolidated Interest Expense of such Person for such period; *plus*

(2) all dividends, whether paid or accrued and whether or not in cash, on or in respect of all Disqualified Stock of the Issuer or any series of Preferred Stock of any Restricted Subsidiary, other than dividends on Disqualified Stock or Preferred Stock payable to the Issuer or a Restricted Subsidiary; *plus*

(3) Fixed Charges that would have arisen from the Reserved Indebtedness Amount had such Reserved Indebtedness Amount been incurred as of the date of its classification as a Reserved Indebtedness Amount.

"**Guarantee**" means any guarantee (including any Notes Guarantee) or obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person, including any such obligation, direct or indirect, contingent or otherwise, of such Person:

(1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay or to maintain financial statement conditions or otherwise); or

(2) entered into primarily for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part),

provided, *however*, that the term "**Guarantee**" will not include endorsements for collection or deposit in the ordinary course of business. The term "**Guarantee**" used as a verb has a corresponding meaning.

"**Guarantor**" means any Person that Guarantees the Notes once such Guarantees have been issued in accordance with the Indenture and/or one or more supplemental indentures.

"**Hedging Obligations**" of any Person means the obligations of such Person pursuant to any Interest Rate Agreement, Currency Agreement or Commodity Hedging Agreement.

"**Holder**" means each Person in whose name the Notes are registered on the Registrar's books, which shall initially be the respective nominee of Euroclear or Clearstream, as applicable.

"**Holding Company**" means, in relation to any Person, any other Person in respect of which it is a Subsidiary.

"**IFRS**" means the International Financial Reporting Standards promulgated by the International Accounting Standards Board or any successor board or agency as endorsed by the European Union and in effect on the Issue Date, or, with respect to the covenant described under the caption "*—Certain Covenants—Reports*," as in effect from time to time or any variation thereof with which the Issuer or its Restricted Subsidiaries are, or may be, required to comply. At any date after the Issue Date, the Issuer may make an irrevocable election to establish that "IFRS" shall mean IFRS (taken as a whole) as in effect on a date that is after the Issue Date and on or prior to the date of such election.

"**Incur**" means issue, create, assume, enter into any Guarantee of, incur or otherwise become liable for; *provided*, *however*, that any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (whether by merger, consolidation, acquisition or otherwise) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and the terms "**Incurred**" and "**Incurrence**" have meanings correlative to the foregoing and any Indebtedness pursuant to any revolving credit or similar facility shall only be "Incurred" at the time any funds are borrowed thereunder.

"**Indebtedness**" means, with respect to any Person on any date of determination (without duplication):

(1) the principal of indebtedness of such Person for borrowed money;

(2) the principal of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all reimbursement obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments (the amount of such obligations being equal at any time to the aggregate then undrawn and unexpired amount of such letters of credit or other instruments plus the aggregate amount of drawings thereunder that have not been reimbursed) (except to the extent such reimbursement obligations relate to trade payables or other obligations not constituting Indebtedness and such obligations are satisfied within 30 days of Incurrence);

(4) the principal component of all obligations of such Person to pay the deferred and unpaid purchase price of property (except trade payables or similar obligation, including accrued expenses owed, to a trade creditor), where the deferred payment is arranged primarily as a means of raising finance, which purchase price is due more than one year after the date of placing such property in service or taking final delivery and title thereto;

(5) Lease Obligations of such Person;

(6) the principal component of all obligations, or liquidation preference, of such Person with respect to any Disqualified Stock or, with respect to any Restricted Subsidiary, any Preferred Stock (but excluding, in each case, any accrued dividends);

(7) the principal component of all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided*, *however*, that the amount of such Indebtedness will be the lesser of (a) the fair market value of such asset at such date of determination (as determined in good faith by an Officer of the Issuer) and (b) the amount of such Indebtedness of such other Persons;

(8) Guarantees by such Person of the principal component of Indebtedness of other Persons to the extent Guaranteed by such Person; and

(9) to the extent not otherwise included in this definition, net obligations of such Person under Hedging Obligations (the amount of any such obligations to be equal at any time to the net payments under such agreement or arrangement giving rise to such obligation that would be payable by such Person at the termination of such agreement or arrangement),

with respect to clauses (1), (2), (4) and (5) above, if and to the extent that any of the foregoing Indebtedness (other than letters of credit and Hedging Obligations) would appear as a liability upon a balance sheet (excluding the footnotes thereto) of such Person prepared in accordance with IFRS.

The amount of any Indebtedness outstanding as of any date shall be (a) the accreted value thereof in the case of any Indebtedness issued with original issue discount and (b) the principal amount of Indebtedness, or liquidation preference thereof, in the case of any other Indebtedness.

Notwithstanding the above provisions, in no event shall the following constitute Indebtedness:

(i) Contingent Obligations Incurred in the ordinary course of business or consistent with past practice, other than Guarantees or other assumptions of Indebtedness;

(ii) Cash Management Services;

(iii) any prepayments of deposits received from clients or customers in the ordinary course of business or consistent with past practice;

(iv) obligations under any license, permit or other approval (or Guarantees given in respect of such obligations) Incurred prior to the Issue Date or in the ordinary course of business or consistent with past practice;

(v) in connection with the purchase by the Issuer or any Restricted Subsidiary of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; *provided, however*, that, at the time of closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid in within 45 days thereafter;

(vi) for the avoidance of doubt, any obligations in respect of workers' compensation claims, early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions or social security or wage Taxes;

(vii) obligations under or in respect of Qualified Receivables Financings;

(vii) Indebtedness of any Parent appearing on the balance sheet of the Issuer solely by reason of push down accounting under IFRS;

(viii) Capital Stock (other than Disqualified Stock of the Issuer or a Restricted Subsidiary and Preferred Stock of a Restricted Subsidiary);

(ix) amounts owed to dissenting stockholders pursuant to applicable law (including in connection with, or as a result of, exercise of appraisal rights and the settlement of any claims or action (whether actual, contingent or potential)), pursuant to or in connection with a consolidation, merger or transfer of all or substantially all of the assets of the Issuer and the Restricted Subsidiaries, taken as a whole, that complies with the covenant described under "*—Certain Covenants—Merger and Consolidation*";

(x) trade payables with a maturity of less than one year and accrued commissions owed to banks in the ordinary course of business; and

(xi) Subordinated Shareholder Funding.

"**Independent Financial Advisor**" means an investment banking or accounting firm of international standing or any third-party appraiser of international standing; *provided*, *however*, that such firm or appraiser is not an Affiliate of the Issuer.

"**Initial Investor**" means Manutencoop Società Cooperativa, for as long as it remains a "*società cooperativa*" (cooperative company) in accordance with applicable provisions of Italian law, with express exclusion of any of its successor entities or assigns.

"**Initial Public Offering**" means an Equity Offering of common stock or other common equity interests of the Issuer or any Parent or Restricted Subsidiary or any successor of the Issuer or any Parent or Restricted Subsidiary (the "**IPO Entity**") following which there is a Public Market and, as a result of which, the shares of common stock or other common equity interests of the IPO Entity in such offering are listed on an internationally recognized exchange or traded on an internationally recognized market.

"**Intercreditor Agreement**" means the intercreditor agreement dated on or about the Issue Date, by and among, *inter alios*, the Issuer, the Security Agent and the Trustee, as amended, restated or otherwise modified or varied from time to time.

"**Interest Rate Agreement**" means, with respect to any Person, any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement to which such Person is party or a beneficiary.

"**Investment**" means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the form of any advance, loan or other extensions of credit (other than advances or extensions of credit to customers, suppliers, directors, officers or employees of any Person in the ordinary course of business, and excluding any debt or extension of credit represented by a bank deposit other than a time deposit) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or the Incurrence of a Guarantee of any obligation of, or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by, such other Persons and all other items that are or would be classified as investments on a balance sheet (excluding any notes thereto) prepared on the basis of IFRS; *provided*, *however*, that endorsements of negotiable instruments and documents in the ordinary course of business will not be deemed to be an Investment. If the Issuer or a Restricted Subsidiary issues, sells or otherwise disposes of any Capital Stock of a Person that is a Restricted Subsidiary such that, after giving effect thereto, such Person is no longer a Restricted Subsidiary, any Investment by the Issuer or any Restricted Subsidiary in such Person remaining after giving effect thereto will be

deemed to be a new Investment equal to the fair market value of the Capital Stock of such Subsidiary not sold or disposed of in an amount determined as provided in the fourth paragraph of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*."

For purposes of the "*—Certain Covenants—Limitation on Restricted Payments*" section:

(1) "**Investment**" will include the portion (proportionate to the Issuer's equity interest in a Restricted Subsidiary to be designated as an Unrestricted Subsidiary) of the fair market value of the net assets of such Restricted Subsidiary at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; and

(2) any property transferred to or from an Unrestricted Subsidiary will be valued at its fair market value at the time of such transfer, in each case as determined in good faith by the Board of Directors or an Officer of the Issuer.

The amount of any Investment outstanding at any time shall be the original cost of such Investment, reduced (at the Issuer's option) by any dividend, distribution, interest payment, return of capital, repayment or other amount or value received in respect of such Investment.

"**Investment Grade Securities**" means:

(1) securities issued or directly and fully guaranteed or insured by the United States or Canadian government or any agency or instrumentality thereof (other than Cash Equivalents);

(2) securities issued or directly and fully guaranteed or insured by a member of the European Union, Switzerland, the United Kingdom or Norway or any agency or instrumentality thereof (other than Cash Equivalents);

(3) debt securities or debt instruments with a rating of "BBB–" or higher from S&P, "Baa3" or higher by Moody's or "BBB–" or higher from Fitch or the equivalent of such rating by such rating organization or, if no rating of Moody's, Fitch or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Rating Organization, but excluding any debt securities or instruments constituting loans or advances among the Restricted Subsidiaries and the Issuer;

(4) investments in any fund that invests exclusively in investments of the type described in clauses (1), (2) and (3) above which fund may also hold cash and Cash Equivalents pending investment or distribution; and

(5) any investment in repurchase obligations with respect to any securities of the type described in clauses (1), (2) and (3) above which are collateralized at par or over.

"**Investment Grade Status**" shall be achieved when the Notes receive the following from at least two of the three Rating Agencies:

(1) a rating of "BBB–" or higher from S&P;

(2) a rating of "Baa3" or higher from Moody's or,

(3) a rating of "BBB" or higher from Fitch,

or the equivalent of such rating by any such rating organization or, if no rating of Moody's, S&P or Fitch then exists, the equivalent of such rating by any other Nationally Recognized Statistical Rating Organization.

"**IPO Entity**" has the meaning given in the definition of Initial Public Offering.

"**IPO Market Capitalization**" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity at the time of closing of the Initial Public Offering *multiplied by* (ii) the price per share at which such shares of common stock or common equity interests are sold in such Initial Public Offering.

"**Issue Date**" means January 28, 2021.

"**Issuer**" means Rekeep S.p.A., a *società per azioni* incorporated under the laws of the Republic of Italy or any other Successor Company in accordance with the Indenture.

"**Lease Obligations**" means an obligation that is required to be classified and accounted for as a lease for financial reporting purposes on the basis of IFRS. The amount of Indebtedness will be, at the time any determination is to be made, the amount of such obligation required to appear on a balance sheet (excluding any notes thereto) prepared in accordance with IFRS, and the Stated Maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty.

"**Lien**" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof); *provided* that in no event shall an operating lease (within the meaning of IAS 17) or an agreement to sell be deemed to constitute a Lien.

"**Management Advances**" means loans or advances made to, or Guarantees with respect to loans or advances made to, directors, officers, employees or consultants of any Parent, the Issuer or any Restricted Subsidiary:

(1) in respect of travel, entertainment or moving related expenses Incurred in the ordinary course of business and in accordance with past practice;

(2) in respect of moving related expenses Incurred in connection with any closing or consolidation of any facility or office; or

(3) (in the case of this clause (3)) not exceeding €2.0 million in the aggregate outstanding at any time.

"**Management Investors**" means (i) members of the management team of the Issuer or any Subsidiary who invest or commit to invest, directly or indirectly, in the Issuer, a Restricted Subsidiary or a Parent on the Issue Date through a management equity program, (ii) persons who are or become members of the management team of the Issuer or the Issuer's Subsidiaries following the Issue Date (other than in connection with a transaction that would otherwise be a Change of Control if such persons were not included in the definition of "**Permitted Holders**") and who invest, directly or indirectly, in a Parent, the Issuer or the Issuer's Subsidiaries through a management equity plan and (iii) any entity that may hold shares transferred by departing members of the management team of a Parent, the Issuer or the Issuer's Subsidiaries for future redistribution to the management team of the Issuer or the Issuer's Subsidiaries. For the avoidance of doubt, the expression "**management team**" shall include, but not be limited to, any managers, officers and (executive and non-executive) directors of a Parent, the Issuer or the Issuer's Subsidiaries.

"**Market Capitalization**" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity on the date of the declaration of the relevant dividend *multiplied by* (ii) the arithmetic mean of the closing prices per share of such common stock or common equity interests for the 30 consecutive trading days immediately preceding the date of declaration of such dividend.

"**Moody's**" means Moody's Investors Service, Inc. or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"**Nationally Recognized Statistical Rating Organization**" means a nationally recognized statistical rating organization as defined in Section 3(a)(62) of the Exchange Act.

"**Net Available Cash**" from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise and net proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring person of Indebtedness or

other obligations relating to the properties or assets that are the subject of such Asset Disposition or received in any other non-cash form) therefrom, in each case net of:

(1) all legal, accounting, investment banking, title and recording tax expenses, commissions and other fees and expenses Incurred, and all Taxes paid or required to be paid or accrued as a liability under IFRS (after taking into account any available tax credits or deductions and any Tax Sharing Agreements), as a consequence of such Asset Disposition;

(2) all payments made on any Indebtedness which is secured by any assets subject to such Asset Disposition (other than Lease Obligations), in accordance with the terms of any Lien upon such assets, or which must by its terms, or in order to obtain a necessary consent to such Asset Disposition, or by applicable law, be repaid out of the proceeds from such Asset Disposition;

(3) all distributions and other payments required to be made to minority interest holders (other than any Parent, the Issuer or any of their respective Subsidiaries) in Subsidiaries or joint ventures as a result of such Asset Disposition; and

(4) the deduction of appropriate amounts required to be provided by the seller as a reserve, on the basis of IFRS, against any liabilities associated with the assets disposed of in such Asset Disposition and retained by the Issuer or any Restricted Subsidiary after such Asset Disposition.

"**Net Cash Proceeds**," with respect to any issuance or sale of Capital Stock or Subordinated Shareholder Funding, means the cash proceeds of such issuance or sale net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, listing fees, discounts or commissions and brokerage, consultant and other fees and charges actually Incurred in connection with such issuance or sale and net of Taxes paid or payable as a result of such issuance or sale (after taking into account any available tax credit or deductions and any Tax Sharing Agreements).

"**Notes Documents**" means the Notes (including Additional Notes), the Indenture, the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreements.

"**Notes Guarantee**" means a Guarantee of the Notes by a Guarantor.

"**Offering Memorandum**" means this offering memorandum in relation to the Notes.

"**Officer**" means, with respect to any Person, (1) any member of the Board of Directors, the Chief Executive Officer, the President, the Chief Financial Officer, any Vice President, the Treasurer or the Secretary (a) of such Person or (b) if such Person is owned or managed by a single entity, of such entity, or (2) any other individual designated as an "Officer" for the purposes of the Indenture by the Board of Directors of such Person.

"**Officer's Certificate**" means, with respect to any Person, a certificate signed by one Officer of such Person.

"**Opinion of Counsel**" means a written opinion from legal counsel reasonably satisfactory to the Trustee. The counsel may be an employee of or counsel to the Issuer or a Restricted Subsidiary.

"**Parent**" means any Person of which the Issuer at any time is or becomes a Subsidiary after the Issue Date and any holding companies established by any Permitted Holder for purposes of holding its investment in any Parent.

"**Parent Debt Contribution**" means a contribution to the Issuer or any of its Restricted Subsidiaries in the form of equity, funding the issuance or sale of Capital Stock of the Issuer or any Restricted Subsidiary or Subordinated Shareholder Funding or otherwise on-lent as a proceeds loan to the Issuer or any of its Restricted Subsidiaries pursuant to which dividends, loans, advances, payments or other distributions may be made pursuant to clause (1)(c) of the first paragraph under "*—Certain Covenants—Limited on Restricted Payments*."

"**Parent Expenses**" means:

(1) costs (including all professional fees and expenses) Incurred by any Parent in connection with reporting obligations under or otherwise Incurred in connection with compliance with applicable laws, rules or regulations of any governmental, regulatory or self-regulatory body or stock exchange, the Indenture or any other agreement or instrument relating to Indebtedness of any Restricted Subsidiary and the Issuer, including in respect of any reports filed with respect to the Securities Act, Exchange Act or the respective rules and regulations promulgated thereunder;

(2) customary indemnification obligations of any Parent owing to directors, officers, employees or other Persons under its charter or by-laws or pursuant to written agreements with any such Person to the extent relating to the Restricted Subsidiaries or the Issuer;

(3) obligations of any Parent in respect of director and officer insurance (including premiums therefor) to the extent relating to the Restricted Subsidiaries or the Issuer;

(4) fees and expenses payable by any Parent in connection with the Transactions;

(5) general corporate overhead expenses and administrative costs, including (a) professional fees and expenses, regulatory costs and other operational expenses of any Parent related to the ownership or operation of the business of any Restricted Subsidiaries or the Issuer, (b) costs and expenses with respect to the ownership, directly or indirectly, of any Restricted Subsidiaries or the Issuer by any Parent, (c) any Taxes of any Parent to the extent arising from an investment in the equity interests or equity-like interests of such Parent, or shareholder loans extended to or by such Parent, in connection with the Transactions or another investment in any Restricted Subsidiaries or the Issuer, (d) any Taxes and other fees and expenses required to maintain such Parent's corporate existence and to provide for other ordinary course operating costs, including customary salary, bonus and other benefits payable to, and indemnities provided on behalf of, officers and employees of such Parent and (e) to reimburse reasonable out of pocket expenses of the Board of Directors of such Parent;

(6) other fees, expenses and costs relating directly or indirectly to activities of any Restricted Subsidiaries or the Issuer or any Parent or any other Person established for purposes of or in connection with the Transactions or which holds directly or indirectly any Capital Stock or Subordinated Shareholder Funding of the Issuer, in an amount not to exceed €1.0 million in any fiscal year;

(7) any Taxes, to the extent such Taxes are referable to the income of the Issuer or the Restricted Subsidiaries and, to the extent of the amount actually received in cash from its Unrestricted Subsidiaries, in amounts required to pay such taxes to the extent referable to the income of such Unrestricted Subsidiaries; *provided*, *however*, that the amount of such payments in any fiscal year do not exceed the amount that the Restricted Subsidiaries and the Issuer would be required to pay in respect of such taxes on a consolidated basis on behalf of an affiliated group consisting only of the Restricted Subsidiaries (and, to the extent that cash has been received from Unrestricted Subsidiaries, the Unrestricted Subsidiaries) and the Issuer; and

(8) expenses Incurred by any Parent in connection with any public offering or other sale of Capital Stock or Indebtedness;

   (a) where the net proceeds of such offering or sale are intended to be received by or contributed to the Issuer or a Restricted Subsidiary;

   (b) in a pro-rated amount of such expenses in proportion to the amount of such net proceeds intended to be so received or contributed; or

   (c) otherwise on an interim basis prior to completion of such offering so long as any Parent shall cause the amount of such expenses to be repaid to the Issuer or the relevant Restricted Subsidiary out of the proceeds of such offering promptly if completed.

"**Pari Passu Indebtedness**" means (a) any Indebtedness of the Issuer that ranks equally in right of payment with the Notes or (b) with respect to any Notes Guarantee of a Guarantor, any Indebtedness that ranks equally in right of payment with such Notes Guarantee.

"**Paying Agent**" means any Person authorized by the Issuer to pay the principal of (and premium, if any) or interest on any Note on behalf of the Issuer.

"**Permitted Collateral Liens**" means Liens on the Collateral:

(1) that are described in one or more of clauses (2)(ii), (3), (4), (5), (6), (8), (9), (11), (12), (18), (20), (23) and (24) of the definition of "Permitted Liens" and, in each case, arising by law or that would not materially interfere with the ability of the Security Agent to enforce the Security Interests in the Collateral;

(2) to secure:

(a) the Notes issued on the Issue Date and any related Notes Guarantees;

(b) Indebtedness described under the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*";

(c) Indebtedness described under clause (1) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*," which Indebtedness may be entitled to receive proceeds of an enforcement of the Collateral in priority to the Notes in a manner not materially less favorable to the Holders than that accorded to the Revolving Credit Facility on the Issue Date pursuant to the Intercreditor Agreement;

(d) Indebtedness described under clause (2) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*," to the extent Incurred by a Guarantor and to the extent such guarantee is in respect of Indebtedness otherwise permitted to be secured and specified in this definition of Permitted Collateral Liens;

(e) Indebtedness described under clause (5) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*";

(f) Indebtedness described under clause (6) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*"; *provided* that Currency Agreements and Interest Rate Agreements entered into with respect to any Indebtedness, the Incurrence of which would not be prohibited under the covenant described under "*—Certain Covenants—Limitation on Indebtedness*," may be entitled to receive proceeds of an enforcement of the Collateral in priority to the Notes in a manner not materially less favorable to the Holders than that accorded to the Revolving Credit Facility on the Issue Date pursuant to the Intercreditor Agreement;

(g) Indebtedness described under clauses (7) (other than with respect to Lease Obligations), (11) or (13) of the second paragraph of the covenant described under "—Certain Covenants—Limitation on Indebtedness";

(h) Indebtedness on a junior basis to the Notes;

(i) any Refinancing Indebtedness in respect of Indebtedness referred to in the foregoing clauses (a), (b), (d), (e), (f) and (g) (other than in respect of clause (11) or (13) of the second paragraph of the covenant described under "—Certain Covenants—Limitation on Indebtedness"), (h) and this clause (i); and

(3) Incurred in the ordinary course of business of the Issuer or any Restricted Subsidiary with respect to obligations that in total do not exceed the greater of €5.0 million and 4% of Consolidated EBITDA at any one time outstanding and that (i) are not Incurred in connection with the borrowing of money and (ii) do not in the aggregate materially detract from the

value of the property or materially impair the use thereof or the operation of the Issuer's or such Restricted Subsidiary's business,

provided, that, in the case of (2) and (3), each of the secured parties to any such Indebtedness (acting directly or through its respective creditor representative) will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement; *provided*, *further*, that, subject to the Agreed Security Principles, all property and assets (including, without limitation, the Collateral) securing such Indebtedness (including any guarantees thereof) or refinancing Indebtedness secure the Notes and the Indenture on a senior or *pari passu* basis (including by application of payment order, turnover or equalization provisions substantially consistent with the corresponding provisions set forth in the Intercreditor Agreement or any Additional Intercreditor Agreement), except to the extent provided in clauses (2)(c) and (2)(f) above.

For purposes of determining compliance with this definition, (a) Liens need not be incurred solely by reference to one category of Permitted Collateral Liens described in this definition but are permitted to be incurred in part under any combination thereof and of any other available exemption and (b) in the event that a Lien (or any portion thereof) meets the criteria of one or more of the categories of Permitted Collateral Liens, the Issuer will, in its sole discretion, classify or reclassify such Lien (or any portion thereof) in any manner that complies with this definition.

"**Permitted Holders**" means, collectively, (1) the Initial Investor, (2) the Management Investors, (3) any Related Person of the Initial Investor or any Management Investor, (4) any Person who is acting as an underwriter in connection with a public or private offering of Capital Stock of any IPO Entity, acting in such capacity and (5) any group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act or any successor provision) of which any of the foregoing (including any Persons mentioned in the following sentence, but excluding Persons specified in clause (4) who are not specified in clause (1), (2) or (3)) are members; *provided* that, in the case of such group and without giving effect to the existence of such group or any other group, the Initial Investor and such Persons referred to in the following sentence, collectively, have exclusive legal and beneficial ownership of more than 50% of the total voting power of the voting Stock of the Issuer or any of their direct or indirect parent companies wholly owned by such group. Any person or group whose acquisition of beneficial ownership constitutes a Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of the Indenture, will thereafter, together with its Affiliates, constitute an additional Permitted Holder.

"**Permitted Investment**" means (in each case, by the Issuer or a Restricted Subsidiary):

(1) Investments in (a) a Restricted Subsidiary (including the Capital Stock of a Restricted Subsidiary) or (b) a Person (including the Capital Stock of any such Person) if such Person will, upon the making of such Investment, become a Restricted Subsidiary;

(2) Investments in another Person if such Person as a result of such Investment in such other Person is merged, consolidated or otherwise combined with or into, or transfers or conveys all or substantially all its assets to, the Issuer or a Restricted Subsidiary;

(3) Investments in cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;

(4) Investments in receivables owing to the Issuer or any Restricted Subsidiary created or acquired in the ordinary course of business, including Investments in connection with any factoring financing, securitization, Receivables Financing or similar arrangement;

(5) Investments in payroll, travel, relocation, entertainment and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;

(6) Management Advances;

(7) Investments in Capital Stock, obligations or securities received in settlement of debts created in the ordinary course of business and owing to the Issuer or any Restricted Subsidiary, or as

a result of foreclosure, perfection or enforcement of any Lien, or in satisfaction of judgments or pursuant to any plan of reorganization or similar arrangement including upon the bankruptcy or insolvency of a debtor;

(8) Investments made as a result of the receipt of non-cash consideration from a sale or other disposition of property or assets, including an Asset Disposition, in each case, that was made in compliance with "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*";

(9) Investments in existence on, or made pursuant to legally binding commitments in existence on, the Issue Date, in each case after giving *pro forma* effect to the Transactions, and, in each case, any extension, modification, restructuring or renewal of any such Investment; *provided* that the amount of the Investment may be increased (a) as required by the terms of the Investment as in existence on the Issue Date or (b) as otherwise permitted under the Indenture;

(10) Hedging Obligations, which transactions or obligations are Incurred to the extent they would not be prohibited under "*—Certain Covenants—Limitation on Indebtedness*";

(11) Investments, taken together with all other Investments made pursuant to this clause (11) and at any time outstanding, in an aggregate amount at the time of such Investment (net of any distributions, dividends, payments or other returns in respect of such Investments) not to exceed the greater of €30.0 million or 26% of Consolidated EBITDA of the Issuer; *provided* that, if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary in accordance with the definition of "Unrestricted Subsidiary," such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) of the definition of "Permitted Investments" and not this clause;

(12) pledges or deposits with respect to leases or utilities provided to third parties in the ordinary course of business or Liens otherwise described in the definition of "Permitted Liens" or made in connection with Liens the Incurrence of which would not be prohibited under "—Certain Covenants—Limitation on Liens";

(13) any Investment to the extent made using Capital Stock of the Issuer (other than Disqualified Stock), Subordinated Shareholder Funding or Capital Stock of any Parent as consideration;

(14) any transaction to the extent constituting an Investment that is permitted and made in accordance with the provisions of clauses (4), (6) or (14) of the second paragraph of the covenant described under "—Certain Covenants—Limitation on Affiliate Transactions";

(15) Guarantees of Indebtedness of the Issuer or any Restricted Subsidiary, the Incurrence of which would not be prohibited under "—Certain Covenants—Limitation on Indebtedness" and (other than with respect to Indebtedness) guarantees, keepwells and similar arrangements in the ordinary course of business;

(16) Investments in loans under the Revolving Credit Facility, the Notes (including any Additional Notes) and any future proceeds loan from the Issuer to a Restricted Subsidiary under an agreement and other Indebtedness of the Issuer or a Restricted Subsidiary permitted by the Indenture; and

(17) Investments in joint ventures or a Similar Business, taken together with all other Investments made pursuant to this clause (17) and at any time outstanding, in an aggregate amount at the time of such Investment (net of any distributions, dividends, payments or other returns in respect of such Investments) not to exceed the greater of €50.0 million or 43% of Consolidated EBITDA of the Issuer; provided that, if an Investment is made pursuant to this clause (17) in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary in accordance with the definition of "Unrestricted Subsidiary," such Investment shall thereafter

be deemed to have been made pursuant to clause (1) or (2) of the definition of "Permitted Investments" and not this clause.

For purposes of determining compliance with this definition, (a) Permitted Investments need not be made solely by reference to one category of Permitted Investments described in this definition but are permitted to be made in part under any combination thereof and of any other available exemption and (b) in the event that a Permitted Investment (or any portion thereof) meets the criteria of one or more of the categories of Permitted Investments, the Issuer will, in its sole discretion, classify or reclassify such Permitted Investment (or any portion thereof) in any manner that complies with this definition.

"**Permitted Liens**" means, with respect to any Person:

(1) Liens on assets or property of a Restricted Subsidiary that is not a Guarantor securing Indebtedness of any Restricted Subsidiary that is not the Issuer or a Guarantor permitted by the covenant described under "*—Certain Covenants—Limitation on Indebtedness*";

(2) pledges, deposits or Liens (i) under workmen's compensation laws, unemployment insurance laws, social security laws or similar legislation or securing pension obligations, pension liabilities or partial retirement liabilities or any works council or similar agreement or arrangement in relation to part-time work or working-time accounts or other flexible work arrangements, or insurance related obligations (including pledges or deposits securing liability to insurance carriers under insurance or self-insurance arrangements), or (ii) in connection with bids, tenders, completion guarantees, contracts (other than for borrowed money) or leases, or to secure utilities, licenses, public or statutory obligations, or to secure surety, indemnity, judgment, appeal or performance bonds, guarantees of government contracts (or other similar bonds, instruments or obligations), or as security for contested Taxes or import or customs duties or for the payment of rent, or other obligations of like nature, in each case Incurred in the ordinary course of business (including Liens to secure letters of credit issued to assure payment of such obligations);

(3) Liens imposed by law, including carriers', warehousemen's, mechanics', landlords', materialmen's and repairmen's or other similar Liens, in each case for sums not yet overdue for a period of more than 60 days or that are bonded or being contested in good faith by appropriate proceedings;

(4) Liens for Taxes, assessments or other governmental charges not yet delinquent or which are being contested in good faith by appropriate proceedings; *provided* that appropriate reserves required pursuant to IFRS have been made in respect thereof;

(5) Liens in favor of issuers of surety, performance or other bonds, guarantees or letters of credit or bankers' acceptances (not issued to support Indebtedness for borrowed money) issued pursuant to the request of and for the account of the Issuer or any Restricted Subsidiary in the ordinary course of its business;

(6) encumbrances, ground leases, easements (including reciprocal easement agreements), survey exceptions, or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning, building codes or other restrictions (including minor defects or irregularities in title and similar encumbrances) as to the use of real properties or Liens incidental to the conduct of the business of the Issuer or any Restricted Subsidiary or to the ownership of its properties which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of the Issuer or any Restricted Subsidiary;

(7) Liens on assets or property of the Issuer or any Restricted Subsidiary (other than Collateral) securing (i) Hedging Obligations permitted under the Indenture and relating to Indebtedness permitted to be Incurred under the Indenture and which is secured by a Lien on the same assets or property that secures such Indebtedness or (ii) Cash Management Services;

(8) leases, licenses, subleases and sublicenses of assets (including real property and intellectual property rights), in each case entered into in the ordinary course of business;

(9) Liens arising out of judgments, decrees, orders or awards not giving rise to an Event of Default so long as any appropriate legal proceedings which may have been duly initiated for the review of such judgment, decree, order or award have not been finally terminated or the period within which such proceedings may be initiated has not expired;

(10) Liens on assets or property of the Issuer or any Restricted Subsidiary for the purpose of securing Lease Obligations or Purchase Money Obligations, or securing the payment of all or a part of the purchase price of, or securing other Indebtedness Incurred to finance or refinance the acquisition, improvement or construction of, assets or property acquired or constructed in the ordinary course of business; *provided* that (a) the aggregate principal amount of Indebtedness secured by such Liens is otherwise permitted to be Incurred under clause (7) of the second paragraph of the covenant described above under "*—Certain Covenants—Limitation on Indebtedness*" and (b) any such Lien may not extend to any assets or property of the Issuer or any Restricted Subsidiary other than assets or property acquired, improved, constructed or leased with the proceeds of such Indebtedness and any improvements or accessions to such assets and property;

(11) Liens arising by virtue of any statutory or common law provisions relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depositary or financial institution;

(12) Liens arising from Uniform Commercial Code financing statement filings (or similar filings in other applicable jurisdictions) regarding Lease Obligations entered into by the Issuer and the Restricted Subsidiaries that would be considered operating leases under IAS 17 (Leases);

(13) Liens existing on, or provided for or required to be granted under written agreements existing on, the Issue Date, after giving *pro forma* effect to the use of the proceeds of the Notes as described in this Offering Memorandum;

(14) Liens on property, other assets or shares of stock of a Person at the time such Person becomes a Restricted Subsidiary (or at the time the Issuer or a Restricted Subsidiary acquires such property, other assets or shares of stock, including any acquisition by means of a merger, consolidation or other business combination transaction with or into the Issuer or any Restricted Subsidiary), including Liens created, incurred or assumed in connection with, or in contemplation of such acquisition or transaction; *provided*, that such Liens are limited to all or part of the same property, other assets or stock (plus improvements, accession, proceeds or dividends or distributions in connection with the original property, other assets or stock) that secured (or, under the written arrangements under which such Liens arose, could secure) the obligations to which such Liens relate;

(15) Liens on assets or property of the Issuer or any Restricted Subsidiary securing Indebtedness or other obligations of such Restricted Subsidiary owing to the Issuer or another Restricted Subsidiary, or Liens in favor of the Issuer or any Restricted Subsidiary;

(16) Liens securing Indebtedness Incurred to refinance Indebtedness that was previously so secured, and permitted to be secured under the Indenture (other than Indebtedness that was previously secured pursuant to clause (30) below); *provided* that any such Lien is limited to all or part of the same property or assets (*plus* improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness being refinanced or is in respect of property that is or could be the security for or subject to a Permitted Lien hereunder;

(17) any interest or title of a lessor under any Lease Obligation;

(18) (a) mortgages, liens, security interests, restrictions, encumbrances or any other matters of record that have been placed by any government, statutory or regulatory authority, developer, landlord or other third party on property over which the Issuer or any Restricted

Subsidiary has easement rights or on any leased property and subordination or similar arrangements relating thereto and (b) any condemnation or eminent domain proceedings affecting any real property;

(19) any encumbrance or restriction (including put and call arrangements) with respect to Capital Stock of, or assets owned by, any joint venture or similar arrangement pursuant to any joint venture or similar agreement;

(20) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;

(21) Liens (i) on Receivables Assets Incurred in connection with a Qualified Receivables Financing or (ii) securing Indebtedness or other financing arrangements described in clause (12)(b) under the second paragraph under "*—Certain Covenants—Limitation on Indebtedness*";

(22) Liens on Escrowed Proceeds for the benefit of the related holders of debt securities or other Indebtedness (or the underwriters or arrangers thereof) or on cash set aside at the time of the incurrence of any Indebtedness or government securities purchased with such cash, in either case to the extent such cash or government securities prefund the payment of interest on such Indebtedness and are held in escrow accounts or similar arrangement to be applied for such purpose;

(23) Liens securing or arising by reason of any netting or set-off arrangement entered into in the ordinary course of banking or other trading activities;

(24) Liens arising out of conditional sale, title retention, hire purchase, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business;

(25) Liens on Capital Stock or other securities or assets of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary;

(26) (a) Liens over cash paid into an escrow account pursuant to any purchase price retention arrangement as part of any permitted disposal by the Issuer or a Restricted Subsidiary; (b) Liens over cash paid into an escrow account to fund an acquisition or pay related fees and expenses pending the closing of such acquisition by the Issuer or any Restricted Subsidiary; and (c) Liens over cash paid into an escrow account pursuant to any purchase price retention arrangement or deferred consideration in connection with the acquisition by the Issuer or any Restricted Subsidiary.

(27) limited recourse Liens in respect of the ownership interests in, or assets owned by, any joint ventures which are not Restricted Subsidiaries securing obligations of such joint ventures;

(28) (a) Liens created for the benefit of or to secure, directly or indirectly, the Notes and any Notes Guarantees, (b) Liens pursuant to the Intercreditor Agreement and the Security Documents, (c) Liens in respect of property and assets securing Indebtedness if the recovery in respect of such Liens is subject to loss-sharing as among the Holders and the creditors of such Indebtedness pursuant to the Intercreditor Agreement or an Additional Intercreditor Agreement and (d) Liens to secure Indebtedness where the granting of an equal and ratable (or prior) Lien on such property or assets to secure the Notes would be inconsistent with the Agreed Security Principles (including a special lien (*privilegio speciale*) under Italian law);

(29) Liens securing Indebtedness described in clause (14) under the second paragraph under "*—Certain Covenants—Limitation on Indebtedness*"; and

(30) Liens, *provided* that the maximum amount of Indebtedness secured in the aggregate at any one time pursuant to this clause (30) does not exceed the greater of €50.0 million and 43% of Consolidated EBITDA,

For purposes of determining compliance with this definition, (a) Liens need not be incurred solely by reference to one category of Permitted Liens described in this definition but are permitted to

be incurred in part under any combination thereof and of any other available exemption and (b) in the event that a Lien (or any portion thereof) meets the criteria of one or more of the categories of Permitted Liens, the Issuer will, in its sole discretion, classify or reclassify such Lien (or any portion thereof) in any manner that complies with this definition.

"**Permitted Parent Reorganization**" means a Reorganization involving the incorporation of a new direct Parent of the Issuer ("**New Holdco**") and the transfer of the Capital Stock and receivables of the Issuer held by the direct Parent at such time ("**Prior Holdco**") to New Holdco; *provided* that (1) New Holdco shall be a person organized and existing under the laws of any member state of the European Union, the United Kingdom, any State of the United States of America or the District of Columbia, Canada or any province of Canada, Norway or Switzerland, (2) New Holdco will acquire all the Capital Stock and receivables of the Issuer held by Prior Holdco and shall have entered into a confirmation deed or similar instrument (x) confirming the first-priority pledge of the Capital Stock and receivables of the Issuer which formed part of the Collateral at the time of such Permitted Reorganization in favor of the Holders of the Notes and (y) assuming all relevant obligations of the Prior Holdco under any Security Document, the Intercreditor Agreement and any Additional Intercreditor Agreement, (3) the Issuer will provide to the Trustee and the Security Agent an Officer's Certificate confirming that (i) such reorganization is permitted under the terms of the Notes Documents and (ii) no Default is continuing or would arise as a result of such Permitted Parent Reorganization and (4) the Issuer will provide to the Trustee a certificate from the Board of Directors of New Holdco which confirms the solvency of New Holdco after giving effect to the Permitted Parent Reorganization. Upon completion of such Permitted Parent Reorganization, Prior Holdco shall be released from its obligations under the Notes Documents save for any obligations expressed to survive release.

"**Permitted Reorganization"** means (i) a Permitted Parent Reorganization or (ii) a Reorganization (other than a Permitted Parent Reorganization) involving the Issuer or any Restricted Subsidiary that is made on a solvent basis; *provided* that, in the case of (ii) only:

(1) any payments, business, property or assets of the Issuer and the Restricted Subsidiaries distributed in connection with such Reorganization remain within the Issuer and the Restricted Subsidiaries;

(2) if any Collateral is released in connection with such Reorganization in accordance with the security release provisions of the Indenture, Liens must be granted reasonably promptly following the completion of such Reorganization (subject to the Agreed Security Principles) such that the assets and Capital Stock pledged as Collateral following the Reorganization are substantially equivalent to the pre-existing Collateral (in the good faith judgment of the Issuer) and the relevant security provider shall be a party to the Intercreditor Agreement or any Additional Intercreditor Agreement; and

(3) if any Notes Guarantees are released in connection with such Reorganization in accordance with the Notes Guarantee release provisions of the Indenture, Notes Guarantees must be provided reasonably promptly following the completion of such Reorganization (subject to the Agreed Security Principles) such that the Notes Guarantees in place following the Reorganization are substantially equivalent to the pre-existing Notes Guarantees (in the good faith judgment of the Issuer).

Promptly upon consummation of a Permitted Reorganization other than a Permitted Parent Reorganization, the Issuer will file with the Trustee and the Security Agent a copy of the resolution of the Board of Directors of the Issuer or the applicable Restricted Subsidiary authorizing such Permitted Reorganization and deliver an Officer's Certificate certifying that such Permitted Reorganization complied or will comply with the terms of the Indenture and did not result or will not result in a Default or Event of Default. The Security Agent and the Trustee shall take any action necessary to effect any releases of Notes Guarantees or Collateral requested by the Issuer in connection with a Permitted Reorganization.

"**Person**" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company, government or any agency or political subdivision thereof or any other entity.

"**Preferred Stock**," as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

"**Public Debt**" means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities issued in (1) a public offering registered under the Securities Act or (2) a private placement to institutional investors that is underwritten for resale in accordance with Rule 144A or Regulation S under the Securities Act, whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the SEC for public resale.

"**Public Market**" means any time after:

(1) an Equity Offering has been consummated; and

(2) shares of common stock or other common equity interests of the IPO Entity having a market value in excess of €50.0 million on the date of such Equity Offering have been distributed pursuant to such Equity Offering.

"**Public Offering**" means any offering, including an Initial Public Offering, of shares of common stock or other common equity interests that are listed on an exchange or publicly offered (which shall include an offering pursuant to Rule 144A or Regulation S under the Securities Act to professional market investors or similar persons).

"**Purchase Money Obligations**" means any Indebtedness Incurred to finance or refinance the acquisition, leasing, construction or improvement of property (real or personal) or assets (including Capital Stock), and whether acquired through the direct acquisition of such property or assets or the acquisition of the Capital Stock of any Person owning such property or assets, or otherwise.

"**Qualified Receivables Financing**" means any Receivables Financing that meets the following conditions: (1) the Board of Directors or an Officer of the Issuer shall have determined in good faith that such Qualified Receivables Financing (including financing terms, covenants, termination events and other provisions) is in the aggregate economically fair and reasonable to the Issuer and the Receivables Subsidiary or other Subsidiary, as the case may be, (2) all sales of Receivables and related assets to the Receivables Subsidiary or other Subsidiary, as the case may be, are made at fair market value (as determined in good faith by the Board of Directors or an Officer of the Issuer), (3) the financing terms, covenants, termination events and other provisions thereof shall be on market terms (as determined in good faith by the Board of Directors or an Officer of the Issuer) and may include Standard Securitization Undertakings and (4) is non-recourse to the Issuer or any Restricted Subsidiary (other than a Securitization Subsidiary) except to the extent of any Standard Securitization Undertaking.

The grant of a security interest in any Receivables of the Issuer or a Restricted Subsidiary (other than a Receivables Subsidiary) to secure Indebtedness under a Credit Facility or Indebtedness in respect of the Notes shall not be deemed a Qualified Receivables Financing.

"**Rating Agencies**" means Moody's, S&P or Fitch or, in the event Moody's, S&P or Fitch no longer assigns a rating to the Notes, any other Nationally Recognized Statistical Rating Organization selected by the Issuer as a replacement agency.

"**Receivable**" means a right to receive payment arising from a sale or lease of goods or services by a Person pursuant to an arrangement with another Person pursuant to which such other Person is obligated to pay for goods or services under terms that permit the purchase of such goods and services on credit, as determined on the basis of IFRS.

"**Receivables Assets**" means any Receivables of the Issuer or a Restricted Subsidiary and any assets related thereto, including all collateral securing such Receivables, all contracts and all guarantees or other obligations in respect of such Receivables, proceeds of such Receivables and other assets which are customarily transferred or in respect of which security interest are customarily granted in connection with asset securitization, factoring or similar transactions involving Receivables and any Hedging Obligations entered into by the Issuer or any such Subsidiary in connection with such Receivables.

"**Receivables Fees**" means distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a Person that is not the Issuer or a Restricted Subsidiary in connection with, any factoring financing, securitization, Receivables Financing or similar arrangement.

"**Receivables Financing**" means any transaction or series of transactions that may be entered into by the Issuer or any Subsidiary of the Issuer pursuant to which the Issuer or any of its Subsidiaries may sell, convey or otherwise transfer (including any synthetic transfer) to (a) a Receivables Subsidiary, or (b) any other Person (in the case of a transfer by the Issuer or any of its Subsidiaries), or may grant a security interest in, Receivables Assets.

"**Receivables Repurchase Obligation**" means any obligation of a seller of receivables in a Qualified Receivables Financing to repurchase receivables arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, off-set or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

"**Receivables Subsidiary**" means a Wholly Owned Subsidiary of the Issuer or a Restricted Subsidiary (or another Person formed for the purposes of engaging in a Qualified Receivables Financing in which the Issuer or any Subsidiary of the Issuer makes an Investment and to which the Issuer or any Subsidiary of the Issuer transfers Receivables and related assets) which engages in no activities other than in connection with the financing of Receivables of the Issuer and its Subsidiaries, all proceeds thereof and all rights (contractual or other), collateral and other assets relating thereto, and any business or activities incidental or related to such business, and which is designated by the Board of Directors or an Officer of the Issuer (as provided below) as a Receivables Subsidiary and:

(1) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which (i) is guaranteed by the Issuer or any Restricted Subsidiary (excluding guarantees of obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings), (ii) is subject to terms that are substantially equivalent in effect to a guarantee of any losses on securitized or sold receivables by the Issuer or any Restricted Subsidiary, (iii) provides recourse to, or imposes obligations on the Issuer or any Restricted Subsidiary in any way other than pursuant to Standard Securitization Undertakings, or (iv) subjects any property or asset of the Issuer or any other Restricted Subsidiary of the Issuer, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings;

(2) with which neither the Issuer nor any Restricted Subsidiary has any material contract, agreement, arrangement or understanding (except in connection with a Qualified Receivables Financing) other than on terms which the Issuer reasonably believes to be no less favorable to the Issuer or such Restricted Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of the Issuer; and

(3) to which neither the Issuer nor any Restricted Subsidiary has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results.

Any such designation by the Board of Directors or an Officer of the Issuer shall be evidenced to the Trustee by filing with the Trustee a copy of the resolution of the Board of Directors or

certificate of an Officer of the Issuer giving effect to such designation and an Officer's Certificate certifying that such designation complied with the foregoing conditions.

"**Recognized Exchange"** means the Main Market of the London Stock Exchange, one or more of the equivalent regulated markets of the Milan Stock Exchange, the Frankfurt Stock Exchange or Euronext Paris or the Toronto Stock Exchange.

"**refinance**" means refinance, refund, replace, renew, repay, modify, restate, defer, substitute, supplement, reissue, resell, extend or increase (including pursuant to any defeasance or discharge mechanism) and the terms "**refinances**," "**refinanced**" and "**refinancing**" as used for any purpose in the Indenture shall have a correlative meaning.

"**Refinancing Indebtedness**" means Indebtedness that is Incurred to refund, refinance, replace, exchange, renew, repay or extend (including pursuant to any defeasance or discharge mechanism) any Indebtedness existing on the Issue Date or Incurred in compliance with the Indenture (including Indebtedness of a Restricted Subsidiary that refinances Indebtedness of the Issuer and Indebtedness of any Restricted Subsidiary that refinances Indebtedness of another Restricted Subsidiary) including Indebtedness that refinances Refinancing Indebtedness; *provided*, *however*, that:

(1) if the Indebtedness being refinanced constitutes Subordinated Indebtedness, the refinancing Indebtedness has a final stated maturity at the time such refinancing Indebtedness is Incurred that is the same as or later than the final stated maturity of the Indebtedness being refinanced or, if shorter, the Stated Maturity of the Notes;

(2) such refinancing Indebtedness is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the sum of the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being refinanced (plus, without duplication, any additional Indebtedness Incurred to pay interest or premiums required by the instruments governing such existing Indebtedness and costs, expenses and fees Incurred in connection therewith); and

(3) if the Indebtedness being refinanced is expressly subordinated to the Notes or Notes Guarantees, such refinancing Indebtedness is subordinated to the Notes or such Notes Guarantees, as applicable, on terms at least as favorable to the Holders as those contained in the documentation governing the Indebtedness being refinanced,

provided further, *however*, that Refinancing Indebtedness shall not include (i) Indebtedness of the Issuer or a Restricted Subsidiary that refinances Indebtedness of an Unrestricted Subsidiary or (ii) Indebtedness of a Restricted Subsidiary that is not a Guarantor that refinances Indebtedness of the Issuer or a Guarantor.

Refinancing Indebtedness in respect of any Credit Facility or any other Indebtedness may be Incurred from time to time after the termination, discharge or repayment of any such Credit Facility or other Indebtedness; *provided* that it is used to refinance the amounts to discharge in full such Credit Facility or other Indebtedness within 180 days of the relevant termination, discharge or repayment.

"**Related Person**" with respect to any Permitted Holder specified in clause (2) of the definition thereof, means:

(1) any controlling equityholder, majority (or more) owned Subsidiary or partner or member of such Person;

(2) in the case of an individual, any spouse, family member or relative of such individual, any trust or partnership for the benefit of one or more of such individual and any such spouse, family member or relative, or the estate, executor, administrator, committee or beneficiaries of any thereof;

(3) any trust, corporation, partnership or other Person for which one or more of the Permitted Holders and other Related Persons of any thereof constitute the beneficiaries, stockholders, partners or owners thereof, or Persons beneficially holding in the aggregate a majority (or more) controlling interest therein; or

(4) any investment fund or vehicle managed, sponsored or advised by such Person or any successor thereto, or by any Affiliate of such Person or any such successor.

"**Related Taxes**" means any Taxes, including sales, use, transfer, rental, ad valorem, value added, stamp, property, consumption, franchise, license, capital, registration, business, customs, net worth, gross receipts, excise, occupancy, intangibles or similar Taxes (other than (x) Taxes measured by income and (y) withholding imposed on payments made by any Parent), required to be paid (provided such Taxes are in fact paid) by any Parent by virtue of its:

(1) being incorporated or otherwise being established or having Capital Stock outstanding (but not by virtue of owning stock or other equity interests of any corporation or other entity other than, directly or indirectly, the Issuer or any Restricted Subsidiary);

(2) issuing or holding Subordinated Shareholder Funding;

(3) being a holding company parent, directly or indirectly, of the Issuer or any Restricted Subsidiary;

(4) receiving dividends from or other distributions in respect of the Capital Stock of, directly or indirectly, the Issuer or any Restricted Subsidiary; or

(5) having made any payment with respect to any of the items for which the Issuer is permitted to make payments to any Parent pursuant to "*—Certain Covenants—Limitation on Restricted Payments*."

"**Reorganization**" means any amalgamation, demerger, merger, voluntary liquidation, consolidation, reorganization, change of corporate form, re-incorporation, winding up or corporate reconstruction, in each case, that is made on a solvent basis.

"**Replacement Assets**" means non-current properties and assets that replace the properties and assets that were the subject of an Asset Disposition or non-current properties and assets that will be used in the Issuer's or a Restricted Subsidiary's business as of the Issue Date or any and all other businesses that in the good faith judgment of the Board of Directors or an Officer of the Issuer are related thereto.

"**Representative**" means any trustee, agent or representative (if any) for an issue of Indebtedness or the provider of Indebtedness (if provided on a bilateral basis), as the case may be.

"**Restricted Investment**" means any Investment by the Issuer or a Restricted Subsidiary other than a Permitted Investment.

"**Restricted Subsidiary**" means any Subsidiary of the Issuer (other than an Unrestricted Subsidiary).

"**Revolving Credit Facility**" means the super senior revolving credit facility established pursuant to the Revolving Credit Facility Agreement.

"**Revolving Credit Facility Agreement**" means the agreement governing the Revolving Credit Facility entered into on January 20, 2021, by and among, *inter alios*, the Issuer as borrower, the mandated lead arrangers indicated therein, and UniCredit S.p.A. as agent and the Security Agent, as may be amended, supplemented or otherwise modified from time to time.

"**S&P**" means Standard & Poor's Ratings Services, a division of McGraw Hill, Inc., or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"**Sale and Leaseback Transaction**" means any arrangement providing for the leasing by the Issuer or any Restricted Subsidiary of any real or tangible personal property, which property has been or

is to be sold or transferred by the Issuer or such Restricted Subsidiary to a third Person in contemplation of such leasing.

"**SEC**" means the U.S. Securities and Exchange Commission.

"**Securities Act**" means the U.S. Securities Act of 1933, as amended and the rules and regulations of the SEC promulgated thereunder, as amended.

"**Security Documents**" means the security agreements, pledge agreements, collateral assignments, and any other instrument and document executed and delivered pursuant to the Indenture or otherwise or any of the foregoing, as the same may be amended, supplemented or otherwise modified from time to time, creating the security interests in the Collateral as contemplated by the Indenture.

"**Security Interests**" means the security interests in the Collateral that are created by the Security Documents.

"**Senior Secured Indebtedness**" means any Indebtedness secured by a Lien on the Collateral on a basis *pari passu* with or senior to the security in favor of the Notes or the Notes Guarantees.

"**Significant Subsidiary**" means any Restricted Subsidiary that meets any of the following conditions:

(1) the Issuer's and the Restricted Subsidiaries' investments in and advances to the Restricted Subsidiary exceed 10% of the total assets of the Issuer on a consolidated basis as of the end of the most recently completed fiscal year;

(2) the Issuer's and the Restricted Subsidiaries' proportionate share of the total assets (after intercompany eliminations) of the Restricted Subsidiary exceeds 10% of the total assets of the Issuer on a consolidated basis as of the end of the most recently completed fiscal year; or

(3) the Issuer's and the Restricted Subsidiaries' proportionate share of the Consolidated EBITDA of the Restricted Subsidiary exceeds 10% of the Consolidated EBITDA of the Issuer on a consolidated basis for the most recently completed fiscal year.

"**Similar Business**" means (a) any businesses, services or activities engaged or proposed to be engaged in by the Issuer or any of its Subsidiaries or any Associates on the Issue Date and (b) any businesses, services and activities that are related, complementary, incidental, ancillary or similar to any of the foregoing or are extensions or developments of any thereof.

"**Standard Securitization Undertakings**" means representations, warranties, covenants, indemnities and guarantees of performance entered into by the Issuer or any Subsidiary of the Issuer which an Officer of the Issuer has determined in good faith to be customary in a Qualified Receivables Financing or other non-recourse Receivables Financings, including those relating to the servicing of the assets of a Receivables Subsidiary, it being understood that any Receivables Repurchase Obligation shall be deemed to be a Standard Securitization Undertaking.

"**Stated Maturity**" means, with respect to any security, the date specified in such security as the fixed date on which the payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision, but shall not include any contingent obligations, including those described in "*—Change of Control*" and the conditions under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*," to repay, redeem or repurchase any such principal prior to the date originally scheduled for the payment thereof.

"**Subordinated Indebtedness**" means (a) any Indebtedness of the Issuer that is expressly subordinate in right of payment to the Notes and (b) any Indebtedness of a Guarantor that is expressly subordinated in right of payment to such Guarantor's Notes Guarantee.

"**Subordinated Shareholder Funding**" means, collectively, any funds provided to the Issuer by any Parent, any Affiliate of any Parent or any Permitted Holder or any Affiliate thereof, in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, in each case

issued to and held by any of the foregoing Persons, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Subordinated Shareholder Funding; *provided*, *however*, that such Subordinated Shareholder Funding:

(1) does not mature or require any amortization, redemption or other repayment of principal or any sinking fund payment prior to the first anniversary of the Stated Maturity of the Notes (other than through conversion or exchange of such funding into Capital Stock (other than Disqualified Stock) of the Issuer or any funding meeting the requirements of this definition) or the making of any such payment prior to the first anniversary of the Stated Maturity of the Notes is restricted by the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement;

(2) does not require, prior to the first anniversary of the Stated Maturity of the Notes, payment of cash interest, cash withholding amounts or other cash gross-ups, or any similar cash amounts or the making of any such payment prior to the first anniversary of the Stated Maturity of the Notes is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;

(3) contains no change of control, asset sale or similar provisions and does not accelerate and has no right to declare a default or event of default or take any enforcement action or otherwise require any cash payment, in each case, prior to the first anniversary of the Stated Maturity of the Notes or the payment of any amount as a result of any such action or provision or the exercise of any rights or enforcement action, in each case, prior to the first anniversary of the Stated Maturity of the Notes is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;

(4) does not provide for or require any security interest or encumbrance over any asset of the Issuer or any of its Subsidiaries; and

(5) pursuant to its terms or the terms of the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement, is fully subordinated and junior in right of payment to the Notes pursuant to subordination, payment blockage and enforcement limitation terms which are customary in all material respects for similar funding or are no less favorable in any material respect to Holders than those contained in the Intercreditor Agreement as in effect on the Issue Date with respect to the "Subordinated Liabilities" (as defined therein, *mutatis mutandis*).

"**Subsidiary**" means, with respect to any Person:

(1) any corporation, association, or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time of determination owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof; or

(2) any partnership, joint venture, limited liability company or similar entity of which:

   (a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof whether in the form of membership, general, special or limited partnership interests or otherwise; and

   (b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

"**Tax Sharing Agreement**" means any tax sharing or profit and loss pooling or similar agreement with customary or arm's-length terms entered into with any Parent or Unrestricted Subsidiary, as

the same may be amended, supplemented, waived or otherwise modified from time to time in accordance with the terms thereof and of the Indenture, and any arrangements or transactions made between the Issuer and/or any of its Subsidiaries and/or any Parent in order to satisfy the obligations arising under any such Tax Sharing Agreement (including, for the avoidance of doubt, distributions for purposes of compensating accounting losses in relation to a profit and loss pooling agreement and/or upstream loans to any parent company to enable a parent company to compensate the Issuer or such Subsidiary for losses incurred which may need to be compensated by a parent company under any profit and loss pooling agreement).

"**Taxes**" means all present and future taxes, levies, imposts, deductions, charges, duties and withholdings and any charges of a similar nature (including interest and penalties with respect thereto) that are imposed by any government or other taxing authority.

"**Temporary Cash Investments**" means any of the following:

(1) any investment in:

(a) direct obligations of, or obligations Guaranteed by, (i) the United States of America or Canada, (ii) any European Union member state, (iii) the United Kingdom, (iv) Switzerland or Norway, (v) any country in whose currency funds are being held specifically pending application in the making of an investment or capital expenditure by the Issuer or a Restricted Subsidiary in that country with such funds or (vi) any agency or instrumentality of any such country or member state; or

(b) direct obligations of any country recognized by the United States of America rated at least "A" by S&P, "A" by Fitch or "A-1" by Moody's (or, in each case, the equivalent of such rating by such organization or, if no rating of S&P, Fitch or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(2) overnight bank deposits, and investments in time deposit accounts, certificates of deposit, bankers' acceptances and money market deposits (or, with respect to foreign banks, similar instruments) maturing not more than one year after the date of acquisition thereof issued by:

(a) any lender under the Revolving Credit Facility Agreement;

(b) any institution authorized to operate as a bank in any of the countries or member states referred to in sub-clause (1)(a) above; or

(c) any bank or trust company organized under the laws of any such country or member state or any political subdivision thereof,

in each case, having capital and surplus aggregating in excess of €250 million (or the foreign currency equivalent thereof) and whose long-term debt is rated at least "A–" by S&P or Fitch or "A-3" by Moody's (or, in each case, the equivalent of such rating by such organization or, if no rating of S&P, Fitch or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) or (2) above entered into with a Person meeting the qualifications described in clause (2) above;

(4) Investments in commercial paper, maturing not more than 270 days after the date of acquisition, issued by a Person (other than a Restricted Subsidiary or the Issuer), with a rating at the time as of which any Investment therein is made of "P-2" (or higher) according to Moody's or "A-2" (or higher) according to S&P (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(5) Investments in securities maturing not more than one year after the date of acquisition issued or fully Guaranteed by any state, commonwealth or territory of the United States of

America, Canada, any European Union member state or Switzerland, the United Kingdom, Norway or by any political subdivision or taxing authority of any such state, commonwealth, territory, country or member state, and rated at least "BBB—" by S&P or "Baa3" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(6) bills of exchange issued in the United States, Canada, a member state of the European Union, Switzerland, the United Kingdom, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);

(7) any money market deposit accounts issued or offered by a commercial bank organized under the laws of a country that is a member of the Organization for Economic Co-operation and Development, in each case, having capital and surplus in excess of €250 million (or the foreign currency equivalent thereof) or whose long term debt is rated at least "A–" by S&P or Fitch or "A-3" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P, Fitch or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(8) investment funds investing 95% of their assets in securities of the type described in clauses (1) through (7) above (which funds may also hold reasonable amounts of cash pending investment or distribution); and

(9) investments in money market funds complying with the risk limiting conditions of Rule 2a-7 (or any successor rule) of the SEC under the U.S. Investment Company Act of 1940, as amended.

"**Transaction Expenses**" means any fees or expenses Incurred or paid by the Issuer or any Restricted Subsidiary in connection with the Transactions, including any fees, costs and expenses associated with settling any claims or action arising from a dissenting stockholder exercising its appraisal rights.

"**Transactions**" shall have the meaning assigned to the term "Refinancing" in this Offering Memorandum under the caption "*Summary—The Refinancing*."

"**U.S. GAAP**" means generally accepted accounting principles in the United States of America as in effect from time to time.

"**Uniform Commercial Code**" means the New York Uniform Commercial Code.

"**Unrestricted Subsidiary**" means:

(1) any Subsidiary of the Issuer that at the time of determination is an Unrestricted Subsidiary (as designated by the Board of Directors of the Issuer in the manner provided below); and

(2) any Subsidiary of an Unrestricted Subsidiary.

The Board of Directors of the Issuer may designate any Subsidiary of the Issuer (including any newly acquired or newly formed Subsidiary or a Person becoming a Subsidiary through merger, consolidation or other business combination transaction, or Investment therein) to be an Unrestricted Subsidiary only if:

(1) such Subsidiary or any of its Subsidiaries does not own any Capital Stock or Indebtedness of, or own or hold any Lien on any property of, the Issuer or a Guarantor; and

(2) such designation and the Investment of the Issuer or the relevant Restricted Subsidiary in such Subsidiary would not be prohibited under "*—Certain Covenants—Limitation on Restricted Payments*."

Any such designation by the Board of Directors of the Issuer shall be evidenced to the Trustee by filing with the Trustee a copy of the resolution of the Board of Directors of the Issuer giving

effect to such designation and an Officer's Certificate certifying that such designation complies with the foregoing conditions.

The Board of Directors of the Issuer may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that immediately after giving effect to such designation (1) no Default or Event of Default would result therefrom and (2)(x) the Issuer could Incur at least €1.00 of additional Indebtedness under clause (1) of the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" or (y) the Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving effect to such designation, in each case, on a *pro forma* basis taking into account such designation. Any such designation by the Board of Directors of the Issuer shall be evidenced to the Trustee by promptly filing with the Trustee a copy of the resolution of the Board of Directors giving effect to such designation or an Officer's Certificate certifying that such designation complied with the foregoing provisions.

"**Voting Stock**" of a Person means all classes of Capital Stock of such Person then outstanding and normally entitled to vote in the election of directors.

"**Wholly Owned Subsidiary**" means a Restricted Subsidiary, all of the Capital Stock of which (other than directors' qualifying shares or shares required by any applicable law or regulation to be held by a Person other than the Issuer or another Wholly Owned Subsidiary) is owned by the Issuer or another Wholly Owned Subsidiary.

Book-entry, delivery and form

General

Notes sold to qualified institutional buyers in reliance on Rule 144A under the U.S. Securities Act will initially be represented by a global note in registered form without interest coupons attached (the "**Rule 144A Global Note**"). Notes sold outside the United States in reliance on Regulation S under the U.S. Securities Act will initially be represented by a global note in registered form without interest coupons attached (the "**Regulation S Global Note**" and, together with the Rule 144A Global Note, the "**Global Notes**"). The Global Notes will be deposited, on the closing date, with a common depositary and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

Ownership of interests in the Rule 144A Global Note (the "**Rule 144A Book Entry Interests**") and ownership of interests in the Regulation S Global Note (the "**Regulation S Book Entry Interests**" and, together with the Rule 144A Book Entry Interests, the "**Book Entry Interests**") will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that hold interests through such participants. Euroclear and Clearstream will hold interests in the Global Notes on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositaries. Except under the limited circumstances described below, Book Entry Interests will not be issued in definitive form.

Book Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream and their participants. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of those securities in definitive form. The foregoing limitations may impair your ability to own, transfer or pledge Book Entry Interests. In addition, while the Notes are in global form, holders of Book Entry Interests will not be considered the owners or "holders" of Notes for any purpose.

So long as the Notes are held in global form, the common depositary for Euroclear and/or Clearstream (or its nominee), as applicable, will be considered the sole holder of the Global Notes for all purposes under the Indenture. In addition, participants must rely on the procedures of Euroclear and Clearstream, and indirect participants must rely on the procedures of Euroclear and Clearstream and the participants through which they own Book Entry Interests, to transfer their interests or to exercise any rights of holders of Notes under the Indenture.

None of the Issuer, the Guarantor, the Trustee, the Paying Agent, the Registrar and Transfer Agent will have any responsibility, or be liable, for any aspect of the records relating to the Book Entry Interests.

Definitive Registered Notes

Under the terms of the Indenture, owners of the Book Entry Interests will receive Definitive Registered Notes:

(1) if Euroclear or Clearstream notifies the Issuer that it is unwilling or unable to continue to act as depositary and a successor depositary is not appointed by the Issuer within 120 days; or

(2) if the owner of a Book Entry Interest requests such exchange in writing delivered through Euroclear or Clearstream following an Event of Default.

In such an event, the Issuer will issue Definitive Registered Notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of Euroclear or Clearstream, as applicable (in accordance with their respective customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book Entry Interests), and such Definitive Registered Notes will bear the restrictive legend as provided in the Indenture, unless that legend is not required by the Indenture or applicable law.

To the extent permitted by law, the Issuer, the Trustee, the Paying Agent, the Registrar and Transfer Agent shall be entitled to treat the registered holder of any Global Note as the absolute owner thereof and no person will be liable for treating the registered holder as such.

The Issuer will not impose any fees or other charges in respect of the Notes. However, owners of the Book Entry Interests may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and Clearstream.

Redemption of Global Notes

In the event any Global Note (or any portion thereof) is redeemed, Euroclear and/or Clearstream, as applicable, will distribute the amount received by them or it in respect of the Global Note, so redeemed to the holders of the Book-Entry Interests in such Global Note from the amount received by them or it in respect of the redemption of such Global Note. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Issuer understands that under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; *provided*, *however*, that no Book-Entry Interest of less than €100,000 principal amount at maturity may be redeemed in part.

Payments on Global Notes

Payments of amounts owing in respect of the Global Notes (including principal, premium, interest, additional interest and additional amounts) will be made by the Issuer to the Paying Agent. In turn, the Paying Agent will make such payments to Euroclear and Clearstream, which will distribute such payments to participants in accordance with their respective procedures. We will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under "*Description of the Notes—Additional Amounts*." If any such deduction or withholding is required to be made, then, to the extent described under "*Description of the Notes—Additional Amounts*," we will pay additional amounts as may be necessary in order for the net amounts received after such deduction or withholding to equal the net amounts that would have otherwise been received, absent such withholding or deduction. We expect that standing customer instructions and customary practices will govern payments by participants to owners of Book-Entry Interests held through such participants.

Under the terms of the Indenture, the Issuer, the Trustee and the Agents will treat the registered holder of the Global Notes (i.e. the common depositary for Euroclear or Clearstream (or its nominee)) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuer, the Trustee or any of the Agents or any of their respective agents has or will have any responsibility or liability for:

- any aspects of the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participant, or for maintaining, supervising or reviewing the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest;
- payments made by Euroclear, Clearstream or any participant or indirect participant, or for maintaining, supervising or reviewing the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest;
- Euroclear, Clearstream or any participant or indirect participant; or

- any other matters relating to the actions and practices of Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants. Payments on the Global Notes to owners of Book-Entry Interests are subject to the applicable procedures of Euroclear and Clearstream and are not the responsibility of the Issuer or the Paying Agent.

The Issuer understands that Euroclear and Clearstream's applicable procedures apply a record date in respect of interest payments to owners of Book-Entry Interests of one business day prior to the applicable interest payment date, regardless of the record date specified in the Indenture.

Currency and Payment for the Global Notes

The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Global Notes, will be paid to holders of interests in such Notes through Euroclear and/or Clearstream in Euro.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised the Issuer that they will take any action permitted to be taken by a holder of Notes only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of Notes in respect of which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an event of default under the Notes, each of Euroclear and Clearstream reserves the right to exchange the Global Notes for Definitive Registered Notes in certificated form, and to distribute such Definitive Registered Notes to their respective participants.

Transfers

Transfers between participants in Euroclear or Clearstream will be effected in accordance with Euroclear's and Clearstream's rules and will be settled in immediately available funds. If a holder of Notes requires the physical delivery of Definitive Registered Notes for any reason, including to sell the Notes to persons in states that require the physical delivery of such securities or to pledge such securities, such holder of Notes must transfer its interests in the Global Notes in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the procedures set forth in the Indenture.

The Global Notes will bear a legend to the effect set forth under "*Notice to investors*" Book-Entry Interests in the Global Notes will be subject to the restrictions on transfers and certification requirements discussed under "*Notice to investors*."

Transfers of Rule 144A Book-Entry Interests to persons wishing to take delivery of Rule 144A Book-Entry Interests, respectively, will at all times be subject to such transfer restrictions.

Rule 144A Book-Entry Interests may be transferred to a person who takes delivery in the form of a Regulation S Book-Entry Interests only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S or Rule 144A or any other exemption (if available under the U.S. Securities Act).

Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of a Rule 144A Book-Entry Interest, as applicable, only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance

with the transfer restrictions described under "*Notice to investors*" and the securities laws of any applicable jurisdiction.

In connection with transfers involving an exchange of a Regulation S Book-Entry Interest for a Rule 144A Book-Entry Interest, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Notes and a corresponding increase in the principal amount of the Rule 144A Global Notes.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests in a Global Note only as described under "*Description of the Notes—Transfer and Exchange*," and, if required, only if the transferor first delivers to the Trustee, a written certificate (in the form provided in the Indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such Notes. See "*Notice to investors*."

Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in any other Global Note, will, upon transfer, cease to be a Book-Entry Interest in the first mentioned Global Note and become a Book-Entry Interest in such other Global Note, and accordingly will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note, for as long as it remains such a Book-Entry Interest.

Information Concerning Euroclear and Clearstream

All Book-Entry Interests will be subject to the operations and procedures of Euroclear and Clearstream, as applicable. The Issuer provides the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. Neither the Issuer nor any of the Initial Purchasers or the Trustee or any of the Agents is responsible for those operations or procedures.

Euroclear and Clearstream hold securities for participating organizations. They also facilitate the clearance and settlement of securities transactions between their respective participants through electronic book entry changes in the accounts of such participants. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear and Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Euroclear and Clearstream have no record of or relationship with persons holding through their account holders. Because Euroclear and Clearstream can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the Euroclear or Clearstream systems, or otherwise take actions in respect of such interest, may be limited by the lack of a definite certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such person may be limited. In addition, owners of beneficial interests through the Euroclear or Clearstream systems will receive distributions attributable to the Rule 144A Global Notes only through Euroclear or Clearstream participants.

Global Clearance and Settlement Under the Book-Entry System

The Notes represented by the Global Notes are expected to be admitted to trading on the Euro MTF of the Luxembourg Stock Exchange. The Issuer expects that secondary trading in any Notes will be settled in accordance with the rules and operating procedures of Euroclear, Clearstream and/or the Luxembourg Stock Exchange.

Although Euroclear and Clearstream are expected to follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in Euroclear or Clearstream, as the case may be, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of us, the Trustee or the Agents will have any responsibility for the performance by Euroclear, Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Initial settlement

Initial settlement for the Notes will be made in euro. Book Entry Interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional bonds in registered form. Book Entry Interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value of the settlement date.

Secondary market trading

The Book Entry Interests will trade through participants of Euroclear and Clearstream and will settle in same day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

Tax considerations

The information provided below does not purport to be a complete analysis of the tax law and practice currently applicable in the European Union, Italy and the United States and does not purport to address the tax consequences applicable to all categories of investors, some of which may be subject to special rules.

Prospective purchasers of the Notes are advised to consult with their own tax advisors as to the tax consequences of a purchase of Notes including, without limitation, the consequences of receipt of interest and premium paid (if any), and the sale or redemption of the Notes or any interest therein.

The summaries set forth below are based upon, as applicable, European Union, Italian or United States law as in effect on the date of this Offering Memorandum and are subject to any change in such law that may take effect after such date, also on a retroactive basis. References in this section to holders of the Notes include the beneficial owners of the Notes. Terms defined under each subsection related to European Union, Italian and United States tax law below only have such meanings as defined therein for such respective section. The statements regarding the Italian and United States laws and practices set forth below assume that the Notes will be issued, and the transfers thereof will be made, in accordance with the Indenture.

Italian tax considerations

Certain Italian Tax Considerations

The statements herein regarding Italian taxation are based on the laws in force in the Republic of Italy and on published practices of the Italian tax authorities in effect in Italy as of the date of this Offering Memorandum and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis.

The Issuer will not update this summary to reflect changes in laws and if such a change occurs the information in this summary could become invalid. The following is a summary of certain material Italian tax consequences of the purchase, ownership, redemption and disposition of Notes for Italian resident and non-Italian resident beneficial owners only and it is not intended to be, nor should it be constructed to be, legal or tax advice. This summary also assumes that the Issuer is resident in the Republic of Italy for tax purposes, is structured and conducts its business in the manner outlined in this Offering Memorandum. Changes in the Issuer's organizational structure, tax residence or the manner in which it conducts its business may invalidate this summary.

This summary also assumes that each transaction with respect to the Notes is at arm's length. This summary also assumes that the Notes are listed from their issue and traded on a regulated market or on a multi-lateral trading platform of EU Member States or States that are parties to the European Economic Area Agreement ("**EEA States**"), which allow a satisfactory exchange of information with Italy, as listed in the Decree of the Minister of Finance of September 4, 1996, as amended and supplemented, or once effective in any other decree that will be issued in the future under Article 11 (4)(c) of Decree No. 239 of April 1, 1996 (the "**White List**"). Where in this summary English terms and expressions are used to refer to Italian concepts, the meaning to be attributed to such terms and expressions shall be the meaning to be attributed to the equivalent Italian concepts under Italian law.

The following summary does not purport to be a comprehensive description of all tax considerations which may be relevant to make a decision to purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to additional or special rules. Prospective purchasers of the Notes are advised to consult their own tax advisors concerning the overall tax consequences of their acquiring, holding and disposing of Notes and receiving payments on interest, principal and/or other amounts under the Notes, including, in particular, the effect of any state, regional and local tax laws.

Tax Treatment of Interest

Legislative Decree No. 239 of April 1, 1996 as subsequently amended and restated ("**Decree No. 239**") sets forth the Italian tax regime applicable to interest, premium and other income (including the difference between the redemption amount and the issue price, hereinafter collectively referred to as "**Interest**") from notes that are issued, *inter alia*, by:

(a) joint-stock corporations that are resident in Italy for tax purposes and whose shares are admitted to trading on a regulated market or on a multilateral trading facility of (i) an EU Member State, or (ii) an EEA State that is included in the White List; or

(b) other companies that are resident for tax purposes in Italy if the notes are admitted to trading on a regulated market or on a multilateral trading facility of (i) an EU Member State, or (ii) an EEA State that is included in the White List; or

(c) if not traded on the aforementioned markets or multilateral trading facilities, when such notes are subscribed for, and held, only by "qualified investors" pursuant to article 100 of Legislative Decree No. 58 of February 24, 1998;

provided that the notes fall within the category of bonds (*obbligazioni*) or bond-like securities (*titoli similari alle obbligazioni*).

For these purposes, under Article 44(2)(c) of Presidential Decree No. 917 of December 22, 1986 ("**Decree No. 917**"), bonds and bond-like securities (*titoli similari alle obbligazioni*) are securities that incorporate an unconditional obligation for the Issuer to pay, at maturity (or at any earlier full redemption of the securities), an amount not lower than their nominal/par value/principal and that do not grant the holder any direct or indirect right of participation in (or control on) the management of the Issuer or of the business in connection with which these securities are issued.

Italian resident Noteholders

Noteholders not Engaged in an Entrepreneurial Activity

If an Italian resident beneficial owner of the Notes (a "**Noteholder**") is:

(a) an individual not engaged in an entrepreneurial activity to which the Notes are connected;

(b) a non-business partnership;

(c) a non-business private or public entity (other than Italian undertakings for collective investment); or

(d) an investor exempt from Italian corporate income taxation,

then Interest derived from the Notes, and accrued during the relevant holding period, is subject to a tax withheld at source (*imposta sostitutiva*) levied at the rate of 26%, unless the relevant Noteholder holds the Notes in a discretionary investment portfolio managed by an authorized intermediary and, if meeting the relevant conditions, has validly opted for the application of the "*Risparmio Gestito*" regime provided for by Article 7 of Legislative Decree No. 461 of November 21, 1997 ("**Decree No. 461**"). In such latter case the Noteholder is subject to a 26% annual substitute tax on the increase in value of the managed assets accrued at the end of each fiscal year (which increase would include Interest accrued on the Notes). The substitute tax is applied on behalf of the taxpayer by the managing authorized intermediary. For more information, see also "*—Tax Treatment of Capital Gains*" below.

Subject to certain conditions (including minimum holding period requirement) and limitations, interest, premium and other income relating to the Notes may be exempt from any income taxation (including from the 26% *imposta sostitutiva*) if the Noteholders are Italian resident individuals not engaged in entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509 of June 30, 1994 and Legislative Decree No. 103 of February 10, 1996

and the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth under Italian tax law.

Noteholders Engaged in an Entrepreneurial Activity

If the Italian resident Noteholders described under clauses (a) and (c) above are engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* applies as a provisional tax. Interest will be subject to *imposta sostitutiva* on a provisional basis and will then be included in the relevant beneficial owner's income tax return. As a consequence, Interest will be subject to the ordinary income tax and *imposta sostitutiva* may be recovered as a credit that can be offset against the income tax due.

If a Noteholder is an Italian resident company or similar business entity, a business partnership, or a permanent establishment in Italy of a non-resident company to which the Notes are effectively connected, and the Notes, together with the coupons related thereto, are deposited with an authorized intermediary, Interest from the Notes will not be subject to *imposta sostitutiva*. Interest must, however, be included in the relevant Noteholder's income tax return and, for Italian resident companies (and similar business entities and permanent establishments in Italy of non-resident companies), is therefore subject to general Italian corporate income tax ("**IRES**") and, in certain circumstances, depending on the "status" of the Noteholder, also to additional IRES surtaxes (such as, for instance, the additional 3.5% surtax for banks and certain financial institutions) and the regional tax on productive activities ("**IRAP**"). If the Noteholder is a business partnership, the Interest is instead attributed and subject to taxation in the hands of the partners according to the tax transparency principle.

Italian Real Estate Alternative Investment Funds (Real Estate Investment Funds and Real Estate SICAFs)

Under Law Decree No. 351 of September 25, 2001 ("**Decree No. 351**"), converted into law with amendments by Law No. 410 of November 23, 2001, Article 32 of Law Decree No. 78 of May 31, 2010, converted into law with amendments by Law No. 122 of July 30, 2010, and Article 2(1)(c) of Decree No. 239, payments of Interest deriving from the Notes to Italian resident real estate investment funds are subject neither to *imposta sostitutiva* nor to any other income tax in the hands of the Italian real estate investment fund, provided that the Notes, together with the relevant coupons, are timely deposited with an authorized intermediary. However, a withholding tax or a substitute tax at the rate of 26% will generally apply to income realized by unitholders in the event of distributions, redemption or sale of the units.

Subject to certain conditions, income realized by Italian real estate investment funds is attributed *pro rata* to the Italian resident unitholders irrespective of any actual distribution on a tax transparency basis.

Under Article 9 of Legislative Decree No. 44 of March 4, 2014 ("**Decree No. 44**"), the above regime applies also to Interest payments made to closed-ended real estate investment companies (*società di investimento a capitale fisso immobiliari*, or "**Real Estate SICAFs**") which meet the requirements expressly provided by applicable law.

Undertakings for Collective Investment (Funds, SICAFs and SICAVs)

If an Italian resident Noteholder is an open-ended or a closed-ended collective investment fund ("Fund") other than a real estate investment fund, a closed-ended investment company (*società di investimento a capitale fisso*, or "SICAF") other than a Real Estate SICAF or an open-ended investment company (*società di investimento a capitale variabile*, or "SICAV") established in Italy and either (i) the Fund, the SICAF or the SICAV or (ii) their manager is subject to supervision by the competent regulatory authority and the Notes are deposited with an authorized intermediary, Interest accrued during the holding period on the Notes will not be subject to *imposta sostitutiva*. Interest must, however, be included in the management results of the Fund, the SICAF or the SICAV accrued at the end of each tax period. The Fund, the SICAF or the SICAV will not be subject to *imposta sostitutiva*, but a withholding tax of 26% will be levied, in certain

circumstances, on proceeds distributed in favor of unitholders or shareholders by the Fund, the SICAF or the SICAV.

Pension Funds

If an Italian resident Noteholder is a pension fund (subject to the regime provided for by Article 17 of Legislative Decree No. 252 of December 5, 2005) and the Notes are deposited with an authorized intermediary, Interest relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the pension fund as calculated at the end of the tax period, which will be subject to a 20% substitute tax. Subject to certain conditions (including minimum holding period requirement) and limitations, interest, premium and other income relating to the Notes may be excluded from the taxable base of the 20% substitute tax if the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth under Italian tax law.

Application of Imposta Sostitutiva

Under Decree No. 239, *imposta sostitutiva* is applied by banks, *società di intermediazione mobiliare* ("**SIM**"), fiduciary companies, *società di gestione del risparmio* ("**SGR**"), stockbrokers and other entities identified by a decree of the Ministry of Economy and Finance (each, an "**Intermediary**").

An Intermediary must:

(a) be resident in the Republic of Italy or be a permanent establishment in the Republic of Italy of a non-Italian resident financial intermediary or an organization or a company not resident in the Republic of Italy, acting through a system of centralized administration of securities and directly connected with the Department of Revenue of the Ministry of Economy and Finance (which includes Euroclear and Clearstream) having appointed an Italian representative for the purposes of Decree No. 239, and

(b) intervene, in any way, in the collection of interest or in the transfer of the Notes.

For the purpose of the application of the *imposta sostitutiva*, a transfer of Notes includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant Notes or in a change of the Intermediary with which the Notes are deposited.

If the Notes are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld by any Italian financial intermediary (or permanent establishment in Italy of a non-resident financial intermediary) paying Interest to a Noteholder or, absent that, by the Issuer.

Non-Italian Resident Noteholders

If the Noteholder is a non-Italian resident without a permanent establishment in the Republic of Italy to which the Notes are effectively connected, an exemption from the *imposta sostitutiva* applies provided that the non-Italian resident Noteholder is:

- a beneficial owner of the payment of the Interest and resident, for tax purposes, in a country which is included in the White List; or
- an international body or entity set up in accordance with international agreements which have entered into force in the Republic of Italy; or
- a central bank or an entity which manages, inter alia, official reserves of a foreign State (including sovereign wealth funds); or
- an "institutional investor", whether or not subject to tax, which is established in a country included in the White List, even if it does not possess the status of a taxpayer in its own country of establishment.

In order to ensure gross payment, non-Italian resident Noteholders without a permanent establishment in the Republic of Italy to which the Notes are effectively connected must be the beneficial owners of the payments of Interest and must timely deposit the Notes together with the coupons relating to such Notes directly or indirectly with:

- an Italian or foreign bank or financial institution (there is no requirement for the bank or financial institution to be EU resident) (the "**First Level Bank**"), acting as intermediary in the deposit of the Notes held, directly or indirectly, by the Noteholder with a Second Level Bank (as defined below); or
- an Italian resident bank or SIM, or a permanent establishment in Italy of a non-resident bank or brokerage company (SIM), acting as depositary or sub depositary of the Notes appointed to maintain direct relationships, via telematic link, with the Department of Revenue of the Ministry of Economy and Finance (the "**Second Level Bank**"). Organizations and companies that are not resident of Italy, acting through a system of centralized administration of securities and directly connected with the Department of Revenue of the Italian Ministry of Economy and Finance (which include Euroclear and Clearstream) are treated as Second Level Banks, provided that they appoint an Italian representative (an Italian resident bank or SIM, or permanent establishment in Italy of a non-resident bank or SIM, or a central depositary of financial instruments pursuant to Article 80 of Legislative Decree No. 58 of February 24, 1998) for the purposes of the application of Decree No. 239. In the event that a non-Italian resident Noteholder deposits the Notes directly with a Second Level Bank, the latter shall be treated both as a First Level Bank and a Second Level Bank.

The exemption from the *imposta sostitutiva* for non-Italian resident Noteholders is conditional upon:

- the timely deposit of the Notes, since their issue date, either directly or indirectly, with an institution which qualifies as a Second Level Bank; and
- the submission, at the time or before the deposit of the Notes, to the First Level Bank or the Second Level Bank (as the case may be) of an affidavit by the relevant Noteholder (*autocertificazione*), to be provided only once, in which it declares, *inter alia*, that it is the beneficial owner of any interest on the Notes and it is eligible to benefit from the exemption from the *imposta sostitutiva*.

This affidavit, which is required neither for international bodies or entities set up in accordance with international agreements that have entered into force in Italy nor for foreign central banks or entities which manage, *inter alia*, official reserves of a foreign State, must comply with the requirements set forth by the Italian Ministerial Decree of December 12, 2001 and is valid until withdrawn or revoked (unless some information provided therein has changed). There is no need to submit the affidavit if a certificate, declaration or other similar document for the same or equivalent purposes was previously submitted to the same depository. The above statement is not required for non-Italian resident investors that are international bodies or entities set up in accordance with international agreements entered into force in Italy referred to in point b) above or Central Banks or entities also authorized to manage the official reserves of a State referred to in point c) above. Additional requirements are provided for "institutional investors" referred to in point d) above (in this respect see Circular No. 23/E of March 1, 2002 and No. 20/E of March 27, 2003).

The *imposta sostitutiva* will be applicable at the rate of 26% to Interest paid to Noteholders who do not qualify for the exemption or do not timely and properly comply with the requested conditions (including the procedures set forth under Decree No. 239 and in the relevant implementation rules).

Noteholders who are subject to the *imposta sostitutiva* might, nevertheless, be eligible for full or partial relief under an applicable tax treaty between Italy and their country of residence, provided that the relevant conditions are satisfied (including required documentary fulfilments).

Tax Treatment of Capital Gains

Italian Resident (and Italian Permanent Establishment) Noteholders

Noteholders Not Engaged in an Entrepreneurial Activity

If an Italian resident Noteholder is (i) an individual not engaged in an entrepreneurial activity to which the Notes are connected, (ii) a non-business partnership, (iii) a non-business private or public entity, any capital gain realized by such Noteholder from the sale or redemption of the Notes would be subject to a capital gain tax ("**CGT**") under Decree No. 461, levied at the rate of 26%. Noteholders may set off any losses against their capital gains subject to certain conditions.

In respect of the application of CGT, taxpayers may opt for any of the three regimes described below.

- Under the tax declaration regime (*regime della dichiarazione*), which is the default regime for Italian resident individuals not engaged in an entrepreneurial activity to which the Notes are connected, CGT on capital gains will be chargeable, on a cumulative basis, on all capital gains (net of any incurred capital loss) realized by the Italian resident individual Noteholder holding the Notes. In this instance, "capital gains" means any capital gain not connected with an entrepreneurial activity pursuant to all sales or redemptions of the Notes carried out during any given fiscal year. Italian resident individuals holding the Notes not in connection with an entrepreneurial activity must indicate the overall capital gains realized in any fiscal year, net of any relevant incurred capital loss, in the annual tax return and pay CGT on such gains together with any balance income tax due for such year. Capital losses in excess of capital gains may be carried forward and offset against capital gains realized in any of the four following fiscal years.
- As an alternative to the tax declaration regime, Italian resident individual Noteholders holding the Notes not in connection with an entrepreneurial activity may elect to pay CGT separately on capital gains realized on each sale or redemption of the Notes (nondiscretionary investment portfolio regime, "*regime del risparmio amministrato*") (optional). Such separate taxation of capital gains is allowed subject to:

  (i) the Notes being deposited with Italian banks, SIMs or certain authorized financial intermediaries (including permanent establishments in Italy of non-resident intermediaries); and

  (ii) an express election for the nondiscretionary investment portfolio regime being timely made in writing by the relevant Noteholder.

  The depository must account for CGT in respect of capital gains realized on each sale or redemption of the Notes (as well as in respect of capital gains realized upon the revocation of its mandate), net of any incurred capital loss. The depository must also pay CGT to the Italian tax authorities on behalf of the Noteholder, deducting a corresponding amount from the proceeds to be credited to the Noteholder or using funds provided by the Noteholder for this purpose. Under the nondiscretionary investment portfolio regime, any possible capital loss resulting from a sale or redemption of the Notes may be deducted from capital gains subsequently realized, within the same securities management, in the same fiscal year or in the following fiscal years up to the fourth. Under the nondiscretionary investment portfolio regime, the Noteholder is not required to declare the capital gains / losses in the annual tax return.
- Under the discretionary investment portfolio regime (*regime del risparmio gestito*) (optional), any capital gains realized by Italian resident individuals holding the Notes not in connection with an entrepreneurial activity who have entrusted the management of their financial assets (including the Notes) to an authorized intermediary will be included in the computation of the annual increase in value of the managed assets accrued, even if not realized, at year end, subject to a 26% substitute tax, to be paid by the managing authorized intermediary. Any decrease in value of the managed assets accrued at the year-end may be carried forward and offset against any increase in value of the managed

assets accrued in any of the four following fiscal years. The Noteholder is not required to declare the capital gains realized in the annual tax return.

Subject to certain conditions (including minimum holding period requirement) and limitations, capital gains on the Notes may be exempt from any income taxation (including from the 26% CGT) if the Noteholders are Italian resident individuals not engaged in entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509 of June 30, 1994 and Legislative Decree No. 103 of February 10, 1996 and the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth under Italian tax law.

Noteholders Engaged in an Entrepreneurial Activity

Any gain realized upon the sale or the redemption of the Notes would be treated as part of the taxable business income (and, in certain circumstances, depending on the "status" of the Noteholder, also as part of the net value of the production for IRAP purposes) if realized by an Italian company, a similar business entity (including the Italian permanent establishment of non-resident entities to which the Notes are connected), a business partnership or an Italian resident individual engaged in an entrepreneurial activity to which the Notes are connected.

Italian Real Estate Alternative Investment Funds (Real Estate Investment Funds and Real Estate SICAFs)

Any capital gains realized by a Noteholder that is an Italian real estate investment fund or an Italian Real Estate SICAF to which the provisions of Decree No. 351 or Decree No. 44 apply will be subject neither to CGT nor to any other income tax at the level of the real estate investment fund or the Real Estate SICAF (see "*—Tax Treatment of Interest*"). However a withholding tax or a substitute tax at the rate of 26% will generally apply to income realized by unitholders or shareholders in the event of distributions, redemption or sale of units / shares.

Undertakings for Collective Investment (Funds, SICAFs and SICAVs)

Any capital gains realized by a Noteholder which is a Fund, a SICAF (other than a Real Estate SICAF) or a SICAV will not be subject to CGT but will be included in the result of the relevant portfolio accrued at the end of the relevant fiscal year. Such result will not be taxed at the level of the Fund, the SICAF or the SICAV, but income realized by the unitholders or shareholders in case of distributions, redemption or sale of the units / shares may be subject to a withholding tax of 26% (see "*—Tax Treatment of Interest*").

Pension Funds

Any capital gains realized by a Noteholder that is an Italian pension fund (subject to the regime provided for by Article 17 of Decree No. 252 of December 5, 2005) will be included in the result of the pension fund as calculated at the end of the fiscal year, to be subject to a 20% substitute tax. Subject to certain conditions (including minimum holding period requirement) and limitations, capital gains on the Notes may be excluded from the taxable base of the 20% substitute tax if the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth under Italian tax law.

Non-Italian Resident Noteholders

Capital gains realized by non-Italian resident Noteholders without a permanent establishment in the Republic of Italy to which the Notes are effectively connected upon the sale or the redemption of Notes issued by an Italian resident issuer and traded on regulated markets (which term includes, for these purposes, also certain multilateral trading facilities) are subject neither to CGT nor to any other Italian income tax. The exemption applies provided that the non-Italian resident Noteholders file in due course with the authorized financial intermediary an appropriate affidavit (*autocertificazione*) stating that the Noteholder is not resident in the Republic of Italy for tax purposes and has no permanent establishment in Italy to which the Notes are effectively connected.

Capital gains realized by non-Italian resident Noteholders without a permanent establishment in the Republic of Italy to which the Notes are effectively connected upon the sale or the

redemption of Notes issued by an Italian resident issuer not traded on regulated markets (which term includes, for these purposes, also certain multilateral trading facilities) are not subject to CGT, provided that the beneficial owner is:

- resident for tax purposes in a country included in the White List;
- an international entity or body set up in accordance with international agreements which have entered into force in the Republic of Italy;
- a central Bank or an entity which manages, *inter alia*, official reserves of a foreign State (including sovereign wealth funds); or
- an "institutional investor", whether or not subject to tax, which is established in a country included in the White List, even if it does not possess the status of a taxpayer in its own country of establishment.

To benefit from this exemption, non-Italian resident Noteholders must satisfy procedural conditions similar to those set forth under Decree N. 239. See "*—Tax Treatment of Interest.*"

If none of the conditions above is met, capital gains realized by non-Italian resident Noteholders without a permanent establishment in the Republic of Italy to which the Notes are effectively connected upon the sale or the redemption of Notes issued by an Italian resident issuer and not traded on regulated markets (which term includes, for these purposes, also certain multilateral trading facilities) may be subject to CGT at the current rate of 26%. However, Noteholders may benefit from an applicable tax treaty with the Republic of Italy providing that capital gains realized upon the sale or the redemption of the Notes may be taxed only in the country of residence of the transferor.

Italian Inheritance and Gift Tax

Subject to certain exceptions, Italian inheritance and gift tax is generally payable on transfers of assets and rights, including the Notes, (i) by reason of death or gift by Italian resident persons (or other transfers for no consideration and the creation of liens on such assets for a specific purpose, including the segregation of assets into a trust), even if the transferred assets are held outside Italy, and (ii) by reason of death or gift by non-Italian resident persons (or other transfers for no consideration and the creation of liens on such assets for a specific purpose, including the segregation of assets into a trust), but only if the transferred assets are held in Italy.

In such event, Italian inheritance and gift tax applies as follows:

- at a rate of 4% in case of transfers in favor of the spouse or relatives in direct line on the portion of the global net value of the transferred assets exceeding, for each beneficiary, €1,000,000;
- at a rate of 6% in case of transfers in favor of relatives up to the fourth degree or relatives in-law up to the third degree on the entire value of the transferred assets. Transfers in favor of brothers/sisters are subject to the 6% inheritance and gift tax on the value of the transferred assets exceeding, for each beneficiary, €100,000; and
- at a rate of 8% in any other case.

If the beneficiary of any such transfer is a disabled individual, whose handicap is recognized under Law No. 104 of February 5, 1992, the tax is applied only on the value of the assets (including the Notes) received in excess of €1,500,000 at the rates illustrated above, depending on the type of relationship existing between the deceased or the donor and the beneficiary. As of January 1, 2017, assets and rights (i) segregated in a trust, or (ii) allocated to special funds by entering into a fiduciary contract, or (iii) encumbered by special purpose liens under Article 2645-*ter* of the Italian Civil Code, in favor of persons with severe disabilities are exempt from the Italian inheritance and gift tax, provided that all the conditions set out in Article 6 of Law No. 112 of June 22, 2016 are met. The exemption from Italian inheritance and gift tax also applies to the re-transfer of assets and rights if the death of the beneficiary occurs before the death of the settlor.

No inheritance tax applies if the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth under Italian tax law.

With respect to Notes listed on a regulated market (including multilateral trading facilities), the value for inheritance and gift tax purposes is the average trading price of the last quarter preceding the date of the succession or of the gift (including any accrued interest).

Transfer Tax

Contracts relating to the transfer of securities are subject to a €200 registration tax as follows: (i) public deeds and private deeds with notarized signatures are subject to mandatory registration; and (ii) private deeds are subject to registration only in the case of voluntary registration or if the so-called "*caso d'uso*" occurs.

Stamp Duty

Under Article 13(2bis-2ter) of Presidential Decree No. 642 of October 26, 1972, a 0.20% stamp duty generally applies on communications and reports that Italian financial intermediaries periodically send to their clients in relation to the financial products that are deposited with such intermediaries. The Notes are included in the definition of financial products for these purposes. Communications and reports are deemed to be sent at least once a year even if the Italian financial intermediary is under no obligation to either draft or send such communications and reports.

The stamp duty cannot exceed €14,000 per year for Noteholders other than individuals.

Based on the wording of the law and the implementing decree issued by the Italian Ministry of Economy and Finance on May 24, 2012, the 0.20% stamp duty does not apply to communications and reports that the Italian financial intermediaries send to investors who do not qualify as "clients" according to the regulations issued by the Bank of Italy. Communications and reports sent to this type of investors are subject to the ordinary €2.00 stamp duty for each copy.

The taxable base of the stamp duty is the market value or, in the lack thereof, the nominal value or the redemption amount of any financial product.

Wealth Tax on Financial Products Held Abroad

Under Article 19(18) of Law Decree No. 201 of December 6, 2011, individuals, non-business entities and non-business partnerships that are resident in Italy and, during the fiscal year, hold financial products—including the Notes—outside the Republic of Italy are required to pay a wealth tax at the rate of 0.20%. Pursuant to Article 134 of Law Decree No. 34 of May 19, 2020, the wealth tax cannot exceed €14,000 per year for Noteholders other than individuals. The tax is determined in proportion to the period of ownership. This tax is calculated on the market value at the end of the relevant year or, in the lack thereof, on the nominal value or redemption value, or in the case when the face or redemption values cannot be determined, on the purchase price of any financial product (including the Notes) held abroad by Italian resident individuals. If the financial products are no longer held on December 31 of the relevant year, reference is made to the value in the period of ownership. A tax credit is generally granted for foreign wealth taxes levied abroad on such financial products. The tax credit cannot be greater than the amount of the Italian tax due. If there is a double tax treaty in force between Italy and the State where the financial products are held that also covers taxes on capital and the treaty provides that only the State of residence should levy taxes on capital on the financial products, no tax credit is granted. In these cases, the taxpayer should request the refund of the wealth taxes paid abroad to the foreign tax authorities.

Certain Reporting Obligations for Italian Resident Noteholders

Under Law Decree No. 167 of June 28, 1990, as subsequently amended and supplemented, individuals, non-business entities and non-business partnerships that are resident in Italy and, during the fiscal year, hold investments abroad or have financial assets abroad (including possibly the Notes) must, in certain circumstances, disclose these investments or financial assets to the

Italian tax authorities in their income tax return (or, in case the income tax return is not due, in a proper form that must be filed within the same time as prescribed for the income tax return), regardless of the value of such assets (save for deposits or bank accounts having an aggregate value not exceeding €15,000 threshold throughout the year, which per se do not require such disclosure). The requirement applies also where the persons above, being not the direct holder of the financial assets, are the actual economic owners thereof for the purposes of anti-money laundering legislation.

No disclosure requirements exist for investments and financial assets (including the Notes) under management or administration entrusted to Italian resident intermediaries (Italian banks, SIMs, fiduciary companies or other professional intermediaries, indicated in Article 1 of Law Decree No. 167 of June 28, 1990) and for contracts concluded through their intervention, provided that the cash flows and the income derived from such activities and contracts have been subjected to Italian withholding or substitute tax by the such intermediaries.

Additional Notes

The Issuer may issue Additional Notes (as defined in "*Description of the Notes*") under the Indenture. Any Additional Notes will be considered fungible for Italian income tax purposes with the applicable series of initial Notes issued under the Indenture only if the conditions set forth in Article 11(2) of Decree No. 239, which requires in particular that (i) the issuance of Additional Notes occurs within 12 months of the original issue of the initial Notes, and (ii) the spread between (a) the issue price of the applicable series of initial Notes bonds and (b) the issue price of the Additional Notes is less than 1 percent of the principal amount of the issuance multiplied by the number of full years until the maturity date. If these requirements are not met, the Additional Notes will not be considered fungible for Italian income tax purposes with the applicable series of initial Notes issued under the Indenture.

General—payments by a Guarantor

According to a certain interpretation, payments on the Notes made by an Italian resident Guarantor under the Notes Guarantee should be treated, in certain circumstances, as payment by the relevant Issuer and should be subject to the tax regime described above. However, there are no tax authority guidelines directly regarding the Italian tax regime of payments on notes made by an Italian resident guarantor. Accordingly, there can be no assurance that the Italian tax authorities will not assert an alternative treatment of such payments or that the Italian courts would not support such an alternative treatment.

In particular, according to a different interpretation, if a Guarantor makes any payments in respect of interest on the Notes (or other amounts due under the Notes other than the repayment of principal under the Notes), it is possible that such payments may be subject to withholding tax at applicable rates, pursuant to Presidential Decree No. 600 of September 29, 1973, subject to such relief as may be available under the provisions of any applicable double taxation treaty, or to any other exemption which may apply.

Certain United States Federal Income Tax Considerations

The following is a discussion of certain U.S. federal income tax considerations related to the purchase, ownership and disposition of the Notes, but does not purport to be a complete analysis of all potential tax consequences. This discussion is limited to consequences relevant to a U.S. holder (as defined below) except for the discussion of FATCA (as defined under "*—Foreign Account Tax Compliance Act*"), and does not address the effects of any U.S. federal tax laws other than U.S. federal income tax laws (such as estate and gift tax laws) or any state, local or non-U.S. tax laws. This discussion is based upon the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), Treasury regulations issued thereunder (the "**Treasury Regulations**"), and judicial and administrative interpretations thereof, each as in effect on the date hereof, and all of which are subject to change, possibly with retroactive effect. No rulings from the IRS have been or are expected to be sought with respect to the matters discussed below. There can be no

assurance that the IRS will not take a different position concerning the tax consequences of the purchase, ownership or disposition of the Notes or that any such position would not be sustained.

This discussion does not address all of the U.S. federal income tax consequences that may be relevant to a holder in light of such holder's particular circumstances, including the impact of the alternative minimum tax or the unearned income Medicare contribution tax, or to holders subject to special rules, such as certain financial institutions, U.S. expatriates, insurance companies, individual retirement accounts, dealers in securities or currencies, traders in securities, U.S. holders whose functional currency is not the U.S. dollar, tax-exempt entities, regulated investment companies, real estate investment trusts, partnerships or other pass through entities and investors in such entities, U.S. holders that are resident in or have a permanent establishment in a jurisdiction outside the United States, persons holding the Notes as part of a "straddle," "hedge," "conversion transaction" or other integrated transaction, entities covered by the anti-inversion rules, holders of CMF Existing Notes, and persons subject to special tax accounting rules as a result of any item of gross income with respect to the Notes being taken into account in an applicable financial statement. In addition, this discussion is limited to persons who purchase the Notes for cash at original issue and at their "issue price" (i.e. the first price at which a substantial amount of the Notes is sold to the public for cash, excluding sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) and who hold the Notes as capital assets within the meaning of Section 1221 of the Code (generally for investment).

For purposes of this discussion, a "**U.S. holder**" is a beneficial owner of a Note that is, for U.S. federal income tax purposes, (i) an individual who is a citizen or resident of the United States; (ii) a corporation or any entity taxable as a corporation for U.S. federal income tax purposes created or organized in or under the laws of the United States, any state thereof or the District of Columbia; (iii) any estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) any trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or if a valid election is in place to treat the trust as a U.S. person.

If any entity or arrangement treated as a partnership for U.S. federal income tax purposes holds the Notes, the U.S. tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. A partnership considering an investment in the Notes, and partners in such a partnership, should consult their tax advisors regarding the U.S. federal income tax consequences of the purchase, ownership and disposition of the Notes.

Prospective purchasers of the Notes should consult their tax advisors concerning the tax consequences of holding Notes in light of their particular circumstances, including the application of the U.S. federal income tax considerations discussed below, as well as the application of other federal, state, local, foreign or other tax laws.

Characterization of the Notes

In certain circumstances (see "*Description of the Notes—Optional Redemption*," "*Description of the Notes—Additional Amounts*," and "*Description of the Notes—Change of Control*"), the Issuer may be obligated to redeem the Notes for an amount in excess of their adjusted issue price, or may be obligated to make certain payments on the Notes in excess of stated principal and interest. The Issuer believes that the Notes should not be treated as contingent payment debt instruments due to the possibility of such a redemption occurring or such excess payments being made. The Issuer's position is binding on a U.S. holder, unless the U.S. holder discloses in the proper manner to the IRS that it is taking a different position. If the IRS were to successfully challenge this position, and the Notes were treated as contingent payment debt instruments, U.S. holders could be required to accrue interest income at a rate different than their yield to maturity and to treat as ordinary income, rather than capital gain, any gain recognized on a sale,

exchange, retirement, redemption or other taxable disposition of a Note. The balance of this discussion assumes that the Notes will not be considered contingent payment debt instruments. U.S. holders are urged to consult their own tax advisors regarding the potential application to the Notes of the contingent payment debt instrument rules and the consequences thereof.

Payments of Stated Interest

Payments of stated interest on the Notes (including any additional amounts paid in respect of withholding taxes and without reduction for any amounts withheld) generally will be includible in the gross income of a U.S. holder as ordinary income at the time that such payments are received or accrued, in accordance with such U.S. holder's method of accounting for U.S. federal income tax purposes.

A U.S. holder that uses the cash method of accounting for U.S. federal income tax purposes and that receives a payment of stated interest on the Notes will be required to include in income (as ordinary income) the U.S. dollar value of the euro interest payment (translated at the spot rate of exchange on the date such payment is received) regardless of whether the payment is in fact converted to U.S. dollars at such time. A cash method U.S. holder will not recognize foreign currency exchange gain or loss with respect to the receipt of such interest, but may recognize exchange gain or loss attributable to the actual disposition of the euro so received.

A U.S. holder that uses the accrual method of accounting for U.S. federal income tax purposes (or who otherwise is required to accrue interest prior to receipt) will be required to include in income (as ordinary income) the U.S. dollar value of the amount of stated interest income in euro that has accrued with respect to its Notes during an accrual period. The U.S. dollar value of such euro denominated accrued interest will be determined by translating such amount at the average spot rate of exchange for the accrual period or, with respect to an accrual period that spans two taxable years, at the average spot rate of exchange for the partial period within each taxable year. An accrual basis U.S. holder may elect, however, to translate such accrued interest income into U.S. dollars at the spot rate of exchange on the last day of the interest accrual period or, with respect to an accrual period that spans two taxable years, at the spot rate of exchange on the last day of the taxable year. Alternatively, if the last day of an accrual period is within five business days of the date of receipt of the accrued interest, a U.S. holder that has made the election described in the prior sentence may translate such interest at the spot rate of exchange on the date of receipt of the interest. The above election will apply to other debt instruments held by an electing U.S. holder and may not be changed without the consent of the IRS. A U.S. holder that uses the accrual method of accounting for U.S. federal income tax purposes will recognize exchange gain or loss with respect to accrued interest income on the date such interest is received. The amount of exchange gain or loss recognized will equal the difference, if any, between the U.S. dollar value of the euro payment received (translated at the spot rate of exchange on the date such interest is received) in respect of such accrual period and the U.S. dollar value of the interest income that has accrued during such accrual period (as determined above), regardless of whether the payment is in fact converted to U.S. dollars at such time. Any such exchange gain or loss generally will constitute ordinary income or loss and be treated, for foreign tax credit purposes, as U.S. source income or loss, and generally not as an adjustment to interest income or expense.

Foreign Tax Credit

Stated interest income on a Note generally will constitute foreign source income and generally will be considered "passive category income" in computing the foreign tax credit allowable to U.S. holders under U.S. federal income tax laws. Any non-U.S. withholding tax paid by or on behalf of a U.S. holder at the rate applicable to such holder may be eligible for foreign tax credits (or deduction in lieu of such credits) for U.S. federal income tax purposes, subject to applicable limitations (including holding period and at risk rules). There are significant complex limitations on a U.S. holder's ability to claim foreign tax credits. U.S. holders should consult their tax advisors regarding the creditability or deductibility of any withholding taxes.

Sale, Exchange, Retirement, Redemption or Other Taxable Disposition of Notes

Upon the sale, exchange, retirement, redemption or other taxable disposition of a Note, a U.S. holder generally will recognize gain or loss equal to the difference, if any, between the amount realized upon such disposition (less any amount equal to any accrued but unpaid stated interest, which will be taxable as interest income in accordance with the U.S. holder's method of tax accounting as discussed above, to the extent not previously included in income by the U.S. holder) and such U.S. holder's adjusted tax basis in the Note.

A U.S. holder's adjusted tax basis in a Note will, in general, be the cost of such Note to such U.S. holder. The cost of a Note purchased with foreign currency will generally be the U.S. dollar value of the foreign currency purchase price translated at the spot rate on the date of purchase. If the applicable Note is treated as traded on an established securities market and the relevant U.S. holder is either a cash basis taxpayer or an accrual basis taxpayer who has made the special election described below, such U.S. holder will determine the U.S. dollar value of the cost of such Note by translating the amount paid at the spot rate of exchange on the settlement date of the purchase.

If a U.S. holder receives foreign currency on such a sale, exchange, retirement, redemption or other taxable disposition of a Note, the amount realized generally will be based on the U.S. dollar value of such foreign currency translated at the spot rate of exchange on the date of disposition. In the case of a Note that is considered to be traded on an established securities market, a cash basis U.S. holder and, if it so elects, an accrual basis U.S. holder, will determine the U.S. dollar value of such foreign currency by translating such amount at the spot rate of exchange on the settlement date of the disposition. The special election available to accrual basis U.S. holders in regard to the purchase or disposition of Notes traded on an established securities market must be applied consistently to all debt instruments from year to year held by the U.S. holder and cannot be changed without the consent of the IRS. An accrual basis U.S. holder that does not make the special election will recognize foreign currency exchange gain or loss to the extent that there are exchange rate fluctuations between the disposition date and the settlement date, and such gain or loss generally will constitute U.S. source ordinary income or loss.

Gain or loss recognized by a U.S. holder upon the sale, exchange, retirement, redemption or other taxable disposition of a Note that is attributable to fluctuations in currency exchange rates with respect to the principal amount of such Note generally will be U.S. source ordinary income or loss and generally will not be treated as interest income or expense. Such gain or loss generally will equal the difference, if any, between the U.S. dollar value of the U.S. holder's foreign currency purchase price for the Note, translated at the spot rate of exchange on the date principal is received from the Issuer or the U.S. holder disposes of the Note, and the U.S. dollar value of the U.S. holder's foreign currency purchase price for the Note, translated at the spot rate of exchange on the date the U.S. holder purchased such Note. In addition, upon the sale, exchange, retirement, redemption or other taxable disposition of a Note, a U.S. holder may recognize foreign currency exchange gain or loss attributable to amounts received with respect to accrued and unpaid stated interest which will be treated as discussed above under "*—Payments of Stated Interest*." However, upon a sale, exchange, retirement, redemption or other taxable disposition of a Note, a U.S. holder will recognize any foreign currency exchange gain or loss (including with respect to accrued stated interest) only to the extent of total gain or loss realized by such U.S. holder on such disposition.

Any gain or loss recognized upon the sale, exchange, retirement, redemption or other taxable disposition of a Note in excess of foreign currency exchange gain or loss attributable to such disposition generally will be U.S. source gain or loss and generally will be capital gain or loss. Capital gains of non-corporate U.S. holders (including individuals) derived in respect of capital assets held for more than one year are generally eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

U.S. holders should consult their tax advisors regarding how to account for payments made in a foreign currency with respect to the acquisition, sale, exchange, retirement or other taxable

disposition of a Note and the foreign currency received upon a sale, exchange, retirement or other taxable disposition of a Note.

Information Reporting and Backup Withholding

In general, information reporting requirements will apply to payments of stated interest on the Notes and to the proceeds of the sale or other disposition (including a retirement or redemption) of a Note paid to a U.S. holder unless such U.S. holder is an exempt recipient, and, when required, provides evidence of such exemption. Backup withholding may apply to such payments if the U.S. holder fails to provide a correct taxpayer identification number or a certification that it is not subject to backup withholding, or otherwise fails to comply with the applicable requirements of the backup withholding rules.

Backup withholding is not an additional tax and any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a U.S. holder's U.S. federal income tax liability provided the required information is timely furnished to the IRS.

Tax Return Disclosure Requirements

Treasury Regulations require the reporting to the IRS of certain foreign currency transactions giving rise to losses in excess of a certain minimum amount, such as the receipt or accrual of interest on or a sale, exchange, retirement, redemption or other taxable disposition of a foreign currency note or foreign currency received in respect of a foreign currency note. U.S. holders should consult their tax advisors to determine the tax return disclosure obligations, if any, with respect to an investment in the Notes, including any requirement to file IRS Form 8886 (Reportable Transaction Disclosure Statement).

U.S. holders who are individuals and who own "specified foreign financial assets" (as defined in section 6038D of the Code) with an aggregate value in excess of certain minimum thresholds at any time during the tax year generally are required to file an information report (IRS Form 8938) with respect to such assets with their tax returns. If a U.S. holder does not file a required IRS Form 8938, such holder may be subject to substantial penalties and the statute of limitations on the assessment and collection of all U.S. federal income taxes of such holder for the related tax year may not close before the date which is three years after the date on which such report is filed. The Notes generally will constitute specified foreign financial assets subject to these reporting requirements, unless the Notes are held in an account at certain financial institutions. Under certain circumstances, an entity may be treated as an individual for purposes of these rules.

U.S. holders are urged to consult their tax advisors regarding the application of the foregoing disclosure requirements to their ownership and disposition of the Notes, including the significant penalties for non-compliance.

Foreign Account Tax Compliance Act

Pursuant to Sections 1471 through 1474 of the Code (provisions commonly known as "**FATCA**") and subject to the proposed regulations discussed below, a "foreign financial institution" may be required to withhold U.S. tax on certain "foreign passthru payments" made after December 31, 2018 to the extent such payments are treated as attributable to certain U.S. source payments. Obligations issued on or prior to the date that is six months after applicable final regulations defining foreign passthru payments are published in the Federal Register generally would be "grandfathered" unless materially modified after such date. Accordingly, if the Issuer is treated as a foreign financial institution, FATCA could apply to payments on the Notes only if there is a significant modification of the Notes for U.S. federal income tax purposes after the expiration of this grandfathering period. Under proposed Treasury Regulations, any withholding on foreign passthru payments on Notes that are not otherwise grandfathered would apply to passthru payments made on or after the date that is two years after the date of publication in the Federal Register of applicable final regulations defining foreign passthru payments. Taxpayers generally may rely on these proposed regulations until final regulations are issued. Non-U.S. governments have entered into agreements with the United States (and additional non-U.S. governments are

expected to enter into such agreements) to implement FATCA in a manner that alters the rules described herein. Holders should consult their own tax advisors on how these rules may apply to their investment in the Notes. In the event any withholding under FATCA is imposed with respect to any payments on the Notes, there will be no additional amounts payable to compensate for the withheld amount.

THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE OF IMPORTANCE TO A PARTICULAR INVESTOR. EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES TO IT OF AN INVESTMENT IN THE NOTES IN LIGHT OF THE INVESTOR'S OWN CIRCUMSTANCES.

Plan of distribution

Subject to the terms and conditions set forth in a purchase agreement dated as of January 20, 2021 (the "**Purchase Agreement**"), between the Issuer and the Initial Purchasers, we have agreed to sell to each Initial Purchaser, and each Initial Purchaser has agreed, severally and not jointly, to purchase from us, together with all other Initial Purchasers, the aggregate principal amount of the Notes offered hereby.

The Purchase Agreement provides that the obligations of the Initial Purchasers to pay for and accept delivery of the Notes are subject to, among other conditions, the delivery of certain legal opinions. The Issuer has agreed, subject to certain limited exceptions, that during the period from the date of this Offering Memorandum through and including the date that is 60 days after the date of the Purchase Agreement, to not, without having received prior written consent provided for in the Purchase Agreement, offer, sell, contract to sell or otherwise dispose of any debt securities, issued or guaranteed by the Issuer or any of its future subsidiaries and having a tenor of more than one year (other than the Notes and the Notes Guarantee).

The Initial Purchasers propose to offer the Notes initially at the price indicated on the cover page of this Offering Memorandum. After the initial offering of the Notes, the offering price and other selling terms of the Notes may from time to time be varied by the Initial Purchasers without notice.

The Notes and the Notes Guarantee have not been and will not be registered under the U.S. Securities Act. In the Purchase Agreement, each Initial Purchaser has represented and agreed that it has not offered, sold or otherwise made available to and will not offer, sell or otherwise make available the Notes (1) outside the United States in offshore transactions in reliance on Regulation S and (2) in the United States to qualified institutional buyers in reliance on Rule 144A. The terms used above have the meanings given to them by Regulation S and Rule 144A.

In the Purchase Agreement, each Initial Purchaser has represented and agreed that it has not offered, sold or otherwise made available to and will not offer, sell or otherwise make available any securities to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) MiFID II; (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation. Consequently no key information document required by the PRIIPs Regulation for offering or selling any in scope securities or otherwise making them available to retail investors in the EEA has been or will be prepared. Offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful.

In the Purchase Agreement, each Initial Purchaser has represented and agreed that the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling any in scope securities or otherwise making them available to retail investors in the UK has been or will be prepared. Offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful.

Persons who purchase Notes from the Initial Purchasers may be required to pay stamp duty, taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the issue price set forth on the cover page of this Offering Memorandum.

The Initial Purchasers have advised us that they intend to make a market in the Notes as permitted by applicable law. The Initial Purchasers are not obligated, however, to make a market in the Notes, and any market making activity may be discontinued at any time at the sole discretion of the Initial Purchasers without notice. In addition, any such market making activity will be subject to the limits imposed by the U.S. Securities Act and the U.S. Securities Exchange Act of 1934, as amended (the "**U.S. Exchange Act**"). Accordingly, we cannot assure you that any market for the Notes will develop, that it will be liquid if it does develop, or that you will be able to sell any Notes at a particular time or at a price which will be favorable to you. See "*Risk Factors—Risks related to the Notes, the Notes Guarantee and the Collateral—You may be unable to sell your Notes if a trading market for the Notes does not develop*."

The Initial Purchasers expect to make offers and sales both inside and outside the United States through their selling agents. Any offers and sales in the United States will be conducted by broker-dealers registered with the U.S. Securities and Exchange Commission.

Each of the Initial Purchasers has also agreed that (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

No action has been taken in any jurisdiction, including the United States, by us or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to us, the Group or the Notes in any jurisdiction where action for the purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Memorandum nor any other offering material or advertisements in connection with the Notes may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. This Offering Memorandum does not constitute an offer to purchase Notes or a solicitation of an offer to sell Notes in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this Offering Memorandum comes are advised to inform themselves about and to observe any restrictions relating to the offering of the Notes, the distribution of this Offering Memorandum and resales of the Notes. Please see the section entitled "*Notice to investors*" and "*Important information about this offering memorandum*."

The Issuer has agreed, and the Guarantor, upon and subject to, its accession to the Purchase Agreement, will agree, to indemnify and hold harmless each Initial Purchaser against certain liabilities, including liabilities under the U.S. Securities Act, and will contribute to payments that the Initial Purchaser may be required to make in respect thereof. The Issuer will pay the Initial Purchasers a commission and pay certain fees and expenses relating to the offering of the Notes.

It is expected that delivery of the Notes will be made against payment therefor on or about the Issue Date as specified on the cover page of this Offering Memorandum, which will be the sixth business day following the date of pricing of the Notes (such settlement being herein referred to as "**T+6**"). Under Rule 15(c)6-l under the Exchange Act, trades in the secondary market generally are required to settle in two business days, unless the parties to any such trades expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of pricing or the next succeeding three business days will be required, by virtue of the fact that the Notes initially will settle in T+6, to specify an alternate settlement cycle at the time of any such trade to prevent failed settlement. Purchasers of the Notes who wish to make such trades should consult their own advisors.

In connection with the Offering, J.P. Morgan AG, or one of its respective affiliates or persons acting on its behalf (the "**Stabilizing Manager**") may engage in transactions that stabilize, maintain or otherwise affect the price of the Notes. Specifically, the Stabilizing Manager may bid for and purchase Notes in the open markets for the purpose of pegging, fixing or maintaining the price of the Notes. The Stabilizing Manager may also over-allot the Offering (which involves sales in excess of the offering size), creating a syndicate short position, and may bid for and purchase Notes in the open market to cover the syndicate short position. In addition, the Stabilizing Manager may bid for and purchase Notes in market-making transactions as permitted by applicable laws and regulations and may also impose penalty bids (which permit the Stabilizing Manager to reclaim a selling concession from a broker or dealer when the Notes originally sold by that broker or dealer are purchased in a stabilizing or covering transaction to cover short positions). These activities may stabilize or maintain the market price of the Notes above market levels that may otherwise prevail. The Stabilizing Manager is not required to engage in these activities, and may end these activities at any time. Accordingly, no assurance can be given as to the liquidity of, or trading markets for, the Notes.

These stabilizing transactions, covering transactions and penalty bids may cause the price of the Notes to be higher than it would otherwise be in the absence of these transactions. These transactions may begin on or after the date on which adequate public disclosure of the terms of the Offering is made and, if commenced, may be discontinued at any time at the sole discretion of the Stabilizing Manager. If these activities are commenced, they must end no later than the earlier of 30 calendar days after the Issue Date and 60 calendar days after the date of the allotment of the Notes. These transactions may be effected in the over-the-counter market or otherwise.

The Initial Purchasers and their affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advising, investment management, investment research, principal investment, hedging, financing and brokerage activities. The Initial Purchasers or their respective affiliates have, from time to time, provided, and may currently and/or in the future provide various investment and corporate banking, financial advisory and commercial lending and banking, consulting and other commercial services in the ordinary course of business to the Issuer, the Group and its affiliates and shareholders, and may have from time to time in the past held, and may in the future hold, positions in the Issuer's or any of its affiliates' securities or enter into hedging or other derivative transactions with the Issuer or its affiliates in the ordinary course of business for which they have received or may receive customary fees and commissions. In addition, the Initial Purchasers or their respective affiliates expect to receive, customary fees and commissions for the Offering. The Initial Purchasers or their respective affiliates also act as mandated lead arrangers and/or lenders under the Revolving Credit Facility and have received or will receive customary fees for their services in such respective capacities. See "*Description of certain financing arrangements—Revolving Credit Facility*."

In addition, in the ordinary course of their business activities, the Initial Purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer, the Guarantor or their respective affiliates (directly, as collateral securing other obligations or otherwise). The Initial Purchasers and their respective affiliates may also, in the future, act as hedge counterparties to the Issuer or its affiliates in a manner consistent with their customary risk management policies. Typically, such Initial Purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Issuer's or its affiliates' securities, including potentially the Notes. Any such credit default swaps or the creation of short positions could adversely affect future trading prices of Notes. The Initial Purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and

may hold, or recommend to customers that they acquire, long and/or short positions in such securities and instruments. For the purpose of this paragraph the term "affiliates" also includes the respective parent companies of the Initial Purchasers.

Notice to investors

You are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of any of the Notes offered hereby.

The Notes and the Notes Guarantee have not been registered under the U.S. Securities Act or the securities laws of any other jurisdiction, and, unless so registered, the Notes and the Notes Guarantee may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. Accordingly, the Issuer is offering and selling the Notes to the Initial Purchasers for re-offer and resale only:

- in the United States to "qualified institutional buyers," commonly referred to as "QIBs," in compliance with Rule 144A under the U.S. Securities Act; and
- in offers and sales that occur outside the United States in accordance with Regulation S under the U.S. Securities Act.

The Issuer uses the terms "offshore transaction" and "United States" with the meanings given to them in Regulation S.

If you purchase Notes, you will be deemed by your acceptance thereof to have represented and agreed as follows:

(1) You understand and acknowledge that the Notes and the Notes Guarantee have not been registered under the U.S. Securities Act or any other applicable securities laws and that the Notes are being offered for resale in transactions not requiring registration under the U.S. Securities Act or any other securities laws, including sales pursuant to Rule 144A under the U.S. Securities Act, and, unless so registered, may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the U.S. Securities Act or any other applicable securities laws, pursuant to an exemption therefrom, or in a transaction not subject thereto, and in each case in compliance with the conditions for transfer set forth in paragraphs (4) and (5) below.

(2) You are not the Issuer's "affiliate" (as defined in Rule 144 under the U.S. Securities Act), you are not acting on its behalf and you are either:

  (a) a QIB and are aware that any sale of these Notes to you will be made in reliance on Rule 144A and such acquisition will be for your own account or for the account of another QIB; or

  (b) you are purchasing Notes in an offshore transaction in accordance with Regulation S.

(3) You acknowledge that none of the Issuer, the Guarantor or the Initial Purchasers or any person representing any of them has made any representation to you with respect to the Issuer or the offer or sale of any of the Notes, other than the information contained in this Offering Memorandum, which Offering Memorandum has been delivered to you and upon which you are relying in making your investment decision with respect to the Notes. You acknowledge that neither the Initial Purchasers nor any person representing the Initial Purchasers makes any representation or warranty as to the accuracy or completeness of this Offering Memorandum. You have had access to such financial and other information concerning the Issuer and the Notes as you have deemed necessary in connection with your decision to purchase any of the Notes, including an opportunity to ask questions of, and request information from, the Issuer and the Initial Purchasers.

(4) You are purchasing these Notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the U.S. Securities Act or any other securities laws, subject to any

requirement of law that the disposition of your property or the property of such investor account or accounts be at all times within your or their control and subject to your or their ability to resell such Notes pursuant to Rule 144A, Regulation S or any other available exemption from registration available under the U.S. Securities Act.

(5) You agree on your own behalf and on behalf of any investor account for which you are purchasing the Notes, and each subsequent holder of the Notes by the acceptance thereof will be deemed to agree, to offer, sell or otherwise transfer such Notes only (i) to us, the Guarantor or any subsidiary thereof, (ii) pursuant to a registration statement that has been declared effective under the U.S. Securities Act, (iii) for so long as the Notes are eligible pursuant to Rule 144A under the U.S. Securities Act, to a person you reasonably believe is a QIB that purchases for its own account or for the account of a QIB to whom notice is given that the transfer is being made in reliance on Rule 144A under the U.S. Securities Act, (iv) pursuant to offers and sales that occur outside the United States in compliance with Regulation S under the U.S. Securities Act or (v) pursuant to any other available exemption from the registration requirements of the U.S. Securities Act, subject in each of the foregoing cases to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and to compliance with any applicable securities laws, and any applicable local laws and regulations, and further subject to the our and the Trustee's rights prior to any such offer, sale or transfer (a) pursuant to clause (v) to require the delivery of an opinion of counsel, certification and/or other information satisfactory to each of them and (b) in each of the foregoing cases, to require that a certificate of transfer in the form appearing on the reverse of the security is completed and delivered by the transferor to the Trustee.

Each purchaser acknowledges that each Rule 144A Note will contain a legend substantially in the following form:

"THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT.

THE HOLDER OF THIS NOTE, BY ITS ACCEPTANCE HEREOF, AGREES ON ITS BEHALF AND ON BEHALF OF ANY INVESTOR FOR WHICH IT HAS PURCHASED SECURITIES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH NOTE ONLY (A) TO THE ISSUER OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) FOR SO LONG AS THE NOTES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE U.S. SECURITIES ACT, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A UNDER THE U.S. SECURITIES ACT, (D) PURSUANT TO OFFERS AND SALES IN OFFSHORE TRANSACTIONS IN ACCORDANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND IN COMPLIANCE WITH ANY APPLICABLE SECURITIES LAWS AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSE (E) TO REQUIRE THE DELIVERY OF

AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM AND (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS NOTE IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION" AND "UNITED STATES" HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE U.S. SECURITIES ACT.

If you purchase Notes, you will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these Notes as well as to holders of these Notes.

(6) You acknowledge that the Registrar will not be required to accept for registration of transfer any Notes acquired by you, except upon presentation of evidence satisfactory to the Issuer and the Registrar that the restrictions set forth herein have been complied with.

(7) You acknowledge that:

(a) the Issuer, the Guarantor, the Initial Purchasers and others will rely upon the truth and accuracy of your acknowledgments, representations and agreements set forth herein and you agree that, if any of your acknowledgments, representations or agreements herein cease to be accurate and complete, you will notify the Issuer and the Initial Purchasers promptly in writing; and

(b) if you are acquiring any Notes as a fiduciary or agent for one or more investor accounts, you represent with respect to each such account that:

(i) you have sole investment discretion; and

(ii) you have full power to make, and make, the foregoing acknowledgments, representations and agreements on behalf of such investor account.

(8) You agree that you will give to each person to whom you transfer these Notes notice of any restrictions on the transfer of the Notes.

(9) If you are a resident of a Member State of the EEA (each, a "**Relevant State**"), you represent that you are not a "retail investor". For the purposes of this paragraph, the expression "retail investor" means a person who is one (or more) of the following: (a) a "retail client" as defined in point (11) of Article 4(1) of MiFID II; or (b) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (c) not a "qualified investor" as defined in the Prospectus Regulation.

(10) You understand and acknowledge that: (i) the Notes are not intended to be offered, sold or otherwise made available to and should be not offered, sold or otherwise made available to any "retail investor" (as defined in paragraph 9 above) in a Relevant State, and (ii) no key information document (as defined in the PRIIPs Regulation) for offering or selling any in scope instruments or otherwise making them available to retail investors in a Relevant State has been or will be prepared. Offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful.

(11) If you are a resident of the UK, you represent that you are not a "retail investor". For the purposes of this paragraph, the expression "retail investor" means a person who is one (or more) of the following: (a) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or (b) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No. 600/2014 as it forms part of domestic law by virtue of the EUWA.

(12) You understand and acknowledge that: (i) the Notes are not intended to be offered, sold or otherwise made available to and should be not offered, sold or otherwise made available to any "retail investor" (as defined in paragraph 10 above) in the UK, and (ii) no key information document (as defined in the UK PRIIPs Regulation) for offering or selling any in scope instruments or otherwise making them available to retail investors in the UK has been or will be prepared. Offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful.

(13) You understand and acknowledge that no action has been taken in any jurisdiction (including the United States) by the Issuer, the Guarantor or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to the Issuer or the Notes in any jurisdiction where action for such purpose is required. Consequently, any transfer of the Notes will be subject to the selling restrictions set forth under "*Plan of Distribution*."

Legal matters

The validity of the Notes, the Notes Guarantee and certain other legal matters are being passed upon for the Issuer by Latham & Watkins (London) LLP with respect to matters of U.S. federal, New York state, English and Italian law and by Maisto e Associati with respect to matters of Italian tax law. Certain legal matters will be passed upon for the Initial Purchasers by Milbank LLP with respect to matters of U.S. federal, New York state and English law and by Gattai, Minoli, Agostinelli & Partners with respect to matters of Italian law.

Independent auditors

The consolidated financial statements of the Issuer as of and for the years ended December 31, 2019, 2018 and 2017, prepared in accordance with IFRS as adopted by the E.U. and included in this Offering Memorandum, have been audited by EY S.p.A., independent auditors, as stated in their reports with respect thereto, appearing herein.

The report on the Issuer's consolidated financial statements as of and for the year ended December 31, 2019 was unqualified but did contain an emphasis of matter paragraph regarding disclosures made by our directors in relation to contingent liabilities and contained in the explanatory notes (see Note 20 to the Audited Consolidated Financial Statements as of an for the year ended December 31, 2019) with respect to fines levied by the Italian Competition Authority (*Autorità Garante della Concorrenza e del Mercato*) on May 9, 2019 and the related effects on the consolidated financial statements.

EY S.p.A. is authorized and regulated by the Italian Ministry of Economy and Finance ("**MEF**") and registered on the special register of auditing firms maintained by the MEF. The registered office of EY S.p.A. is at Via Lombardia, 31, 00187 Rome, Italy.

Where you can find additional information

Each purchaser of Notes from an Initial Purchaser will be furnished a copy of this Offering Memorandum and any related amendments or supplements to this Offering Memorandum. Each person receiving this Offering Memorandum and any related amendments or supplements to this Offering Memorandum acknowledges that:

(1) such person has been afforded an opportunity to request from the Issuer and to review, and has received, all additional information considered by it to be necessary to verify the accuracy and completeness of the information herein;

(2) such person has not relied on the Initial Purchasers or any person affiliated with the Initial Purchasers in connection with its investigation of the accuracy of such information or its investment decision; and

(3) except as provided pursuant to clause (1) above, no person has been authorized to give any information or to make any representation concerning the Notes or the Notes Guarantee offered hereby other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorized by either the Issuer or the Initial Purchasers.

For so long as any of the Notes remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act, the Issuer will, during any period in which it is not subject to Section 13 or 15(d) under the U.S. Exchange Act, nor exempt from reporting thereunder pursuant to Rule 12g3-2(b), make available to any holder or beneficial holder of a Note, or to any prospective purchaser of a Note designated by such holder or beneficial holder, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the U.S. Securities Act upon the written request of any such holder or beneficial owner. Any such request should be directed to Luca Buglione, Head of Investor Relations of the Group at lbuglione@rekeep.com.

Upon request, the Issuer will provide holders of Notes with copies of the Indenture, the form of the Notes and any Security Documents. You may request copies of such document by contacting Luca Buglione, Head of Investor Relations of the Group at lbuglione@rekeep.com.

The Issuer is currently not subject to the periodic reporting and other information requirements of the U.S. Exchange Act. However, pursuant to the Indenture that will govern the Notes, the Issuer will agree to furnish periodic information to the holders of the Notes. See "*Description of the Notes—Reports*."

So long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange, and the rules and regulations of the Luxembourg Stock Exchange so require, we will make available the notices to the public on the website of the Luxembourg Stock Exchange, *www.bourse.lu*, or by any other means permitted by the rules and regulations of the Luxembourg Stock Exchange.

Service of process and enforcement of civil liabilities

Each of the Issuer and the Guarantor are private joint stock companies (*società per azioni*) organized under the laws of the Republic of Italy. The Indenture (including the Notes Guarantee) and the Notes are or will be governed by New York law. The Intercreditor Agreement and the Revolving Credit Facility Agreement are or will be governed by the laws of England.

Service of process

Each of the directors, officers and other executives of the Issuer and the Guarantor are neither residents nor citizens of the United States. As substantially all of the assets of the Issuer and the Guarantor, and its and their directors officers and other executives, are located outside the United States, any judgment obtained in the United States against the Issuer, the Guarantor or any such other non-U.S. resident person, including judgments with respect to the payment of principal, premium (if any) and interest on the Notes or any judgment of a U.S. court predicated upon civil liabilities under U.S. federal or state securities laws, may not be collectible in the United States. Furthermore, although the Issuer and the Guarantor will appoint an agent for service of process in the United States and will submit to the jurisdiction of New York courts, in each case, in connection with any action in relation to the Notes, the Indenture or under U.S. securities laws, it may not be possible for investors to effect service of process on us or on such other persons as mentioned above within the United States in any action, including actions predicated upon the civil liability provisions of U.S. federal or state securities laws the Issuer and the Guarantor, or other laws against us or on such other persons as mentioned above in the courts of a foreign jurisdiction. It may be possible for investors to effect service of process within other jurisdictions upon those persons or the Issuer or the Guarantor or over other subsidiaries of the Issuer; *provided that*, for example, The Hague Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters of November 15, 1965 is complied with.

If a judgment is obtained in a U.S. court against the Issuer and the Guarantor, investors will need to enforce such judgment in jurisdictions where the relevant company has assets. Even though the enforceability of U.S. court judgments outside the United States is described below for the countries in which the Guarantors or the Collateral is located, you should consult with your own advisors in any pertinent jurisdictions as needed to enforce a judgment in those countries or elsewhere outside the United States.

Enforcement of judgments in Italy

Recognition and enforcement in Italy of final, enforceable and conclusive judgments rendered by U.S. courts, including judgments obtained in actions predicated upon the civil liability provisions of the U.S. federal or state securities laws, may not require retrial and will be enforceable in Italy, provided that pursuant to Article 64 of Italian Law No. 218 of May 31, 1995 (*Riforma del sistema italiano di diritto internazionale privato*), among others, the following conditions are met:

- the U.S. court which rendered the final judgment had jurisdiction according to Italian law principles of jurisdiction;
- the relevant summons and complaint was appropriately served on the defendants in accordance with U.S. law and during the proceedings the essential rights of the defendant have not been violated;
- the parties to the proceeding appeared before the court in accordance with U.S. law or, in the event of the defendant party's failure to appear before the court, the U.S. court declared such default in accordance with U.S. law;
- the judgment is final and not subject to any further appeal in accordance with U.S. law;
- there is no conflicting final judgment rendered by an Italian court;

- there is no action pending in Italy among the same parties for decision on the same matter which commenced prior to the action in the United States; and
- the provisions of such judgment would not violate Italian public policy (*ordine pubblico*).

In addition, pursuant to Article 67 of Italian Law No. 218 of May 31, 1995, if a judgment rendered by a U.S. court is not complied with, its recognition is challenged or its compulsory enforcement is necessary, then a proceeding shall be initiated before the competent Court of Appeal in Italy to that end. The competent Court of Appeal does not consider the merits of the case but exclusively ascertains the fulfillment of all the conditions set out above.

In original actions brought before Italian courts, it is not clear whether liabilities or remedies based solely on the U.S. federal securities law are enforceable. If an original action is brought before an Italian court, the Italian court may apply not only Italian rules of civil procedure, but also certain substantive provisions of Italian law that are regarded as mandatory and may refuse to apply the U.S. law provisions or grant some of the remedies sought (*e.g.*, punitive damages) if their application violates Italian public policy and/or any mandatory provisions of Italian law.

Limitations on validity and enforceability of the Notes Guarantee and security interests and certain insolvency law considerations

The following is a summary of certain limitations on the validity and enforceability of the Notes Guarantee and the security interests and a summary of certain insolvency law considerations in effect in Italy, the jurisdiction where the Issuer and Guarantor are organized. It is a summary only, and proceedings (bankruptcy, insolvency or similar events) could be initiated in such jurisdiction and in the jurisdiction of organization of a future guarantor of the Notes. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdiction and law should apply and could adversely affect your ability to enforce your rights and to collect payment in full under the Notes, the Notes Guarantee and the security interests in the Collateral. Prospective investors should consult their own legal advisors with respect to such limitations and considerations.

European Union

The Issuer and Guarantor have been duly incorporated or formed and are validly existing under the laws of a member state (each, a "**Member State**") of the European Union (the "**EU**").

Pursuant to Regulation (EU) No. 2015/848 of the European Parliament and of the Council of May 20, 2015 on insolvency proceedings (recast) as amended (which entered into force on June 26, 2017 and applies to insolvency proceedings opened on or after that date) (the "**EU Insolvency Regulation**"), which applies within the EU (other than Denmark) and the courts of the Member State (other than Denmark) in which a debtor's "*centre of main interests*" ("**COMI**") (as that term is used in Article 3(1) of the EU Insolvency Regulation) is situated have jurisdiction to open main insolvency proceedings (subject to certain exceptions).

The determination of where a company has its COMI is a question of fact on which the courts of the different Member States may have differing and even conflicting views. Moreover, a company's COMI is not a static concept and may change from time to time but is determined for the purposes of deciding which courts have competent jurisdiction to open insolvency proceedings at the time of the filing of the insolvency petition. Although there is a rebuttable presumption under Article 3(1) of the EU Insolvency Regulation that a debtor (a company subject to the EU Insolvency Regulation being a "**debtor**") has its COMI in the EU Member State in which it has its registered office in the absence of proof to the contrary (which presumption shall not apply if the registered office has been moved to another Member State within the three-month period prior to the request for the opening of insolvency proceedings), Article 3(1), second sentence, of the EU Insolvency Regulation states that the COMI "*shall be the place where the debtor conducts the administration of its interests on a regular basis and which is ascertainable by third parties*." Recital 30 of the EU Insolvency Regulation states that "*it should be possible to rebut this presumption where the company's central administration is located in a Member State other than that of its registered office, and where a comprehensive assessment of all the relevant factors establishes, in a manner that is ascertainable by third parties, that the company's actual center of management and supervision and of the management of its interests is located in that other Member State*." The courts have taken into consideration a number of factors in determining the COMI of a debtor, including, in particular, where board meetings are held, the location where the debtor conducts the majority of its business or has its head office and the location where the majority of the debtor's creditors are established. If the COMI of a debtor is and will remain located in the Member State (other than Denmark) in which it has its registered office, the main insolvency proceedings in respect of the debtor under the EU Insolvency Regulation would be opened in such jurisdiction and accordingly a court in such jurisdiction would be entitled to open the types of insolvency proceedings referred to in Annex A to the EU Insolvency Regulation.

If the COMI of a debtor is in one Member State (other than Denmark) at the time an insolvency application is made, under Article 3(2) of the EU Insolvency Regulation the courts of another

Member State (other than Denmark) have jurisdiction to open (subject to certain exceptions) secondary insolvency proceedings or territorial insolvency proceedings against that debtor only if such debtor has an "*establishment*" (as defined in Article 2(10) of the EU Insolvency Regulation) in the territory of such other Member State. Secondary proceedings may be any insolvency proceeding listed in Annex A of the EU Insolvency Regulation and for the avoidance of doubt, are not limited to winding-up proceedings. Territorial proceedings are, in effect, secondary proceedings which are commenced prior to the opening of main insolvency proceedings. An "*establishment*" is defined to mean a place of operations where a debtor carries out or has carried out in the three-month period prior to the request to open main insolvency proceedings a non-transitory economic activity with human means and assets. Accordingly, the opening of territorial (secondary) insolvency proceedings in another Member State will also be possible if the debtor had an establishment in such Member State in the three-month period prior to the request for commencement of main insolvency proceedings. The effects of those secondary insolvency proceedings or territorial insolvency proceedings opened in that other Member State (other than Denmark) are restricted to the assets of the debtor situated in such other Member State.

Where main proceedings in the Member State (other than Denmark) in which the debtor has its COMI have not yet been opened, territorial insolvency proceedings can be opened in another Member State (other than Denmark) where the debtor has an establishment only where either (a) insolvency proceedings cannot be opened in the Member State in which the debtor's COMI is situated under that Member State's law; or (b) the territorial insolvency proceedings are opened at the request of (i) a creditor whose claim arises from or is in connection with the operation of the establishment situated within the territory of the Member State where the opening of territorial proceedings is requested or (ii) a public authority which, under the law of the Member State within the territory of which the establishment is situated, has the right to request the opening of insolvency proceedings. When main insolvency proceedings are opened, territorial insolvency proceedings become secondary insolvency proceedings. Irrespective of whether the insolvency proceedings are main or secondary or territorial insolvency proceedings, such proceedings will, subject to certain exceptions, be governed by the *lex fori concursus*, i.e. the local insolvency law of the court that has assumed jurisdiction over the insolvency proceedings of the debtor.

The courts of all Member States (other than Denmark) must recognize the judgment of the court opening the main proceedings (subject to any public policy exceptions), which will be given the same effect in the other Member States (other than Denmark) so long as no secondary proceedings or territorial insolvency proceedings have been opened there and subject to certain other exceptions (e.g. rights in rem situated in another Member State remain subject to the original law governing that right). The insolvency practitioner appointed or confirmed by a court in a Member State which has jurisdiction to open main proceedings may exercise the powers conferred on him by the law of that Member State in another Member State (such as to remove assets of the debtor from that other Member State). These powers are subject to certain limitations (e.g. the powers are available provided that no insolvency proceedings have been commenced in that other Member State nor any preservation measure to the contrary has been taken there further to a request to commence secondary proceedings in that other Member State where the debtor has assets).

In addition, the concept of "*group coordination proceedings*" has been introduced in the EU Insolvency Regulation with the aim of bolstering communication and efficiency in the insolvency proceedings of several members of a group of companies opened in one or more Member States (other than Denmark). Under Article 61 of the EU Insolvency Regulation, group coordination proceedings may be requested before any court having jurisdiction over the insolvency proceedings of a member of the group, by an insolvency practitioner appointed in insolvency proceedings opened in relation to a member of the group. Participation in group coordination proceedings and adherence to the coordinating insolvency practitioner's recommendations or plan however is voluntary.

In the event that the Issuer or the Guarantor experiences financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings. Applicable insolvency laws may affect the enforceability of the obligations and the security of the Issuer or the Guarantor.

Italy

Certain Italian Insolvency Law Considerations

The insolvency laws of Italy may not be as favorable to investors' interests as those of other jurisdictions with which investors may be familiar. In Italy, courts play a central role in the insolvency process. Moreover, in court procedures may be materially more complex and the enforcement of security interests by creditors in Italy can be more time-consuming than in equivalent situations in jurisdictions with which holders of the Notes may be familiar.

The following is a brief description of certain aspects of insolvency law in Italy, which does not include special provisions applying to banks, insurance and other companies authorized to carry out certain reserved activities nor it provides a comprehensive description of insolvency laws application where public companies are involved.

Insolvency laws and regulations have recently been substantially reviewed and significant amendments are expected in the near future. In particular, the Italian Government approved on January 12, 2019 the Legislative Decree No. 14 of January 12, 2019 implementing the guidelines contained in Law No. 155 dated October 19, 2017 contending the scheme of a new comprehensive legal framework in order to regulate, *inter alia*, insolvency matters (the "**Legislative Decree**"), which enacts a new comprehensive legal framework in order to regulate, *inter alia*, insolvency matters (so-called "**Code of Business Crisis and Insolvency**," hereinafter the "**Insolvency Code**"). The Legislative Decree was published in the *Gazzetta Ufficiale* on February 14, 2019, No. 38—Suppl. Ordinario No. 6. The main innovations introduced by the Insolvency Code include: (i) the elimination of the term "bankrupt" (*fallito*) due to its negative connotation and the replacement of bankruptcy proceedings (*fallimento*) with a judicial liquidation (*liquidazione giudiziale*); (ii) a new definition of "state of crisis"; (iii) the adoption of the same procedural framework in order to ascertain such state of crisis and to access the different judicial insolvency proceedings provided for by the same Insolvency Code; (iv) the adoption of definition of debtor's COMI (Centre of Main Interest) as provided for in the new set of rules concerning group restructurings; (v) restrictions to the use of the pre-bankruptcy composition with creditors (*concordato preventivo*) in order to favor going concern proceedings; (vi) a new preventive alert and mediation phase to avoid insolvency; (vii) jurisdiction of specialized courts over proceedings involving large debtors; (viii) amendments to certain provisions of the Italian Civil Code aimed at ensuring the general effectiveness of the reform.

In response to the COVID-19 pandemic, the entry into force of the Insolvency Code has been currently postponed to September 1, 2021, according to Article 5 of the Law Decree No. 23 of April 8, 2020 entry into force of the Insolvency Code has ("**Liquidity Decree**"), converted into law on June 5, 2020 No. 40. Until that date, insolvency proceedings will continue to be governed by Italian Royal Decree No. 267 of March 16, 1942 (the "**Italian Bankruptcy Law**"), as in force before. Therefore, the practical consequences of its implementation and its potential impact on the existing insolvency proceedings cannot to date be foreseen and significant amendments are expected in the near future that may impact the provisions set forth therein.

Certain provisions of Italian law have been amended or have entered into force only recently and, therefore, may be subject to further implementation and/or interpretations and have not been tested to date in the Italian courts. In this respect, the most recent reforms that have been implemented by the Italian Government on the main Italian bankruptcy legislation, as defined below, are: (i) the reform approved on June 23, 2015 through a Law Decree containing urgent reforms applicable, *inter alia*, to Italian bankruptcy law (the "**Decree 83/2015**"). The Decree entered into force in June 2015 (the date of its publication in the *Gazzetta Ufficiale*) and has been converted into law by Italian Law No. 132 of August 6, 2015, effective August 21, 2015 (the

date after its publication in the *Gazzetta Ufficiale*) ("**Law 132**"); and (ii) the amendments implemented by means of the adoption of (a) the Law Decree No. 59 of May 3, 2016, converted into law by Italian Law No. 119 of June 30, 2016, and (b) Italian Law No. 232 of December 11, 2016.

The two primary aims of the Italian Bankruptcy Law are to liquidate the debtor's assets and protect the goodwill of the going concern (if any) for the satisfaction of creditors' claim as well as, in case of the "*Prodi-bis*" procedure or "Marzano" procedure, to maintain employment. These competing aims have often been balanced by the sale of businesses as going concerns and ensuring that employees are transferred along with the businesses being sold. However, the Italian Bankruptcy Law has been recently amended with a view to promoting rescue procedures rather than liquidation, focusing on the continuity and survival of financially distressed businesses and enhancing pre-bankruptcy restructuring options.

Under the Italian Bankruptcy Law, bankruptcy (*fallimento*) must be declared by a court, based on the insolvency (*insolvenza*) of a company upon a petition filed by the company itself, the public prosecutor and/or one or more creditors. Insolvency, as defined under Article 5 of the Italian Bankruptcy Law, occurs when a debtor is no longer able to regularly meet its obligations as they come due. This must be a permanent rather than a temporary status of insolvency in order for a court to hold that a company is insolvent.

In cases where a company is facing financial difficulties or temporary cash shortfall and, in general, financial distress, it may be possible for it to enter into out-of-court arrangements with its creditors, which may safeguard the existence of the company, but which are susceptible of being reviewed by a court in the event of a subsequent insolvency, and possibly challenged as voidable transactions.

The following debt restructuring and bankruptcy alternatives are available under Italian law for companies in a state of crisis and for insolvent companies.

Restructuring Outside of a Judicial Process (Accordi Stragiudiziali)

Restructuring generally takes place through a formal judicial process because it is more favorable for the debtor and because informal out-of-court arrangements put in place as a result of an out-of-court restructuring are vulnerable to being reviewed by a court in the event of a subsequent insolvency, and possibly challenged as voidable transactions, and may trigger liabilities in the event of a subsequent bankruptcy. However, in cases where a company is solvent, but facing financial difficulties, it may be possible to enter into an out-of-court arrangement with its creditors, which may safeguard the existence of the company.

Out-of-Court Reorganization Plans (Piani di Risanamento) Pursuant to Article 67, Paragraph 3(d) of the Italian Bankruptcy Law

Out-of-court debt restructuring agreements are based on restructuring plans (piani di risanamento) prepared by companies in order to restructure their indebtedness and to ensure the recovery of their financial condition. An independent expert appointed directly by the debtor must verify the feasibility of the restructuring plan and the truthfulness of the business data provided by the company. There is no need to obtain court approval to appoint the expert. The expert must possess certain specific professional requisites and qualifications and meet the requirements set forth by Article 2399 of the Italian Civil Code and may be subject to liability in case of misrepresentation or false certification.

Out-of-court debt restructuring arrangements are not under any form of judicial control or approval and, therefore, no application is required to be filed with the court or supervising authority. Out-of-court debt restructuring arrangements are not required to be approved and consented to by a specific majority of all outstanding claims.

The terms and conditions of these plans are freely negotiable. Unlike in-court pre-bankruptcy agreement proceedings and debt restructuring agreements, out-of-court reorganization plans do

not offer the debtor any protection against enforcement proceedings and/or precautionary actions of third-party creditors. The Italian Bankruptcy Law provides that, should these plans fail and the debtor be declared bankrupt, the payments and/or acts carried out, and/or security interest granted for the implementation of the reorganization plan, subject to certain conditions (a) are not subject to claw-back action and (b) are exempted from the potential application of certain criminal sanctions. Neither ratification by the court nor publication in the Companies' Register are needed (although publication in the Companies' Register is possible upon a debtor's request and would allow to certain tax benefits), and, therefore, the risk of bad publicity or disvalue judgments are lower than in case of an in-court pre-bankruptcy agreement or a debt restructuring agreement.

Debt Restructuring Agreements with Creditors Pursuant to Article 182-bis of the Italian Bankruptcy Law (Accordi di Ristrutturazione dei Debiti)

Debt restructuring agreements with creditors (*accordi di ristrutturazione dei debiti*) may be entered into by the debtor with creditors holding at least 60% of the outstanding company's claim or debts, subject to court's sanctioning (*omologazione*). An independent expert appointed by the debtor must assess the truthfulness of the business and accounting data provided by the company and declare that the agreement is feasible and, particularly, that it ensures that the debts of the non-participating creditors can be fully satisfied within a 120-day term from (i) the date of sanctioning (*omologazione*) of the agreement by the court, in the case of debts which are due and payable to the non-participating creditors as of the date of the sanctioning (*omologazione*) of the debt restructuring agreement by the court and (ii) the date on which the relevant debts fall due, in case of debts which are not yet due and payable to the non-participating creditors as of the date of the sanctioning (*omologazione*) of the debt restructuring agreement by the court. Only a debtor who is insolvent or in a situation of "financial distress" (i.e. facing financial distress which does not yet amount to insolvency) can initiate this process and request the court's sanctioning (*omologazione*) of the debt restructuring agreement entered into with its creditors.

The agreement is published in the companies' register and becomes effective as of the day of its publication. Starting from the date of such publication and for 60 days thereafter, creditors cannot start or continue any interim relief or enforcement actions over the assets of the debtor in relation to pre-existing receivables and cannot obtain any security interest (unless agreed) in relation to preexisting debts. The 60 days moratorium can be requested, pursuant to Article 182-*bis*, Paragraph 6 of the Italian Bankruptcy Law, to the court by the debtor pending negotiations with creditors (prior to the abovementioned publication of the agreement), subject to the fulfillment of certain conditions. Such moratorium request must be published in the companies' register and becomes effective as of the date of publication. The court, having verified the completeness of the documentation filed by the debtor, sets the date for a hearing within 30 days of the publication and orders the debtor to supply to the creditors the relevant documentation in relation to the moratorium. In such hearing, creditors and other interested parties may file an opposition to the agreement and the court assesses whether the conditions for granting the moratorium have been met and, if the court so determines, orders that no interim relief, conservative or enforcement action may be started or continued, nor can security interests (unless agreed) be acquired over the assets of the debtor, and sets a deadline (not exceeding 60 days) within which the restructuring agreement and the assessment by the expert has to be deposited. The court's order may be challenged within fifteen days of its publication. Within the same deadline of 60 days, an application for the court supervised pre-bankruptcy composition with creditors (*concordato preventivo*) (as described below) may be filed, without prejudice to the effect of the moratorium.

The Italian Bankruptcy Law does not expressly provide for any indications concerning the contents of the debt restructuring agreement. The plan can therefore provide, *inter alia*, either for the prosecution of the business by the debtor or by a third party, or the sale of the business to a third party, and may contain refinancing agreements, moratoria, write offs and/or postponements of claims. The debt restructuring agreement may also contain a proposed tax

settlement for the partial or deferred payment of certain taxes. Creditors and other interested parties may oppose the agreement within 30 days from the publication of the agreement in the companies' register. The court will, after having settled the oppositions (if any), validate the agreement by issuing a decree, which may be appealed within fifteen days of its publication. The Decree 83/2015, as amended by Law 132 modified the basis for calculation of the 60% of the outstanding debtor's debt threshold required for courts' sanctioning (*omologazione*) of debt restructuring agreements (*accordi di ristrutturazione dei debiti*), easing the requirements with respect to financial creditors.

Pursuant to the new Article 182-*septies* of the Italian Bankruptcy Law, introduced by the Decree 83/2015, as amended by Law 132, debtors whose financial indebtedness is at least 50% of their total indebtedness are entitled to enter into debt restructuring agreements obtaining the approval of financial creditors representing at least 75% of the aggregate financial claims of the relevant category and ask the court to declare such agreement binding on the dissenting financial creditors belonging to the same category (so-called "cram down"), subject to certain conditions being met, including that treatment of dissenting creditors is not worse than under any other available alternative and that all creditors (adhering and non-adhering) have been informed about the negotiations and have been allowed to take part in them in good faith. If the abovementioned conditions are met, then the remaining 25% of non-participating financial creditors belonging to the same class of creditors are crammed down; however, crammed down creditors can challenge the deal and refuse to be forced into it, on the basis of the lack of homogeneity of the classes of creditors.

The debtor may also enter into a moratorium arrangement (*convenzione di moratoria*) with its creditors representing 75% of that debtor's aggregate financial indebtedness which are banks and financial intermediaries by which also the non-consenting banks and financial intermediaries are bound, provided that (i) they have been informed of the ongoing negotiations and have been allowed to participate to such negotiations in good faith and (ii) an independent expert meeting the requirements provided under Article 67, Paragraph 3(d) of the Italian Bankruptcy Law certifies that the non-consenting banks and financial intermediaries have legal status and economic interests similar to those of the banks and financial intermediaries which have agreed to the moratorium arrangement. The purpose is to prevent modestly exposed bank and financial creditors from blocking restructuring operations involving more exposed bank and financial creditors, resulting in the failure of the overall restructuring and the opening of a procedure. The banks and financial intermediaries which have not agreed to the moratorium arrangement may file an objection (*opposizione*) to it within 30 days after having been notified of the moratorium arrangement.

In no case the debt restructuring agreement provided under Article 182-*septies* of the Italian Bankruptcy Law or the moratorium arrangement may impose on the non-adhering creditors the performance of new obligations, the granting of new overdraft facilities, the maintenance of the possibility to utilize existing facilities or the utilization of new facilities.

Such debt restructuring agreements and standstill agreements will not affect the rights of non-financial creditors (e.g. trade creditors) who cannot be crammed down and must be paid within 120 days if not participating to a scheme.

Pursuant to Article 182-*quater* of the Italian Bankruptcy Law, financings granted to the debtor pursuant to the approved debt restructuring agreement (or a court supervised Pre Bankruptcy Composition with Creditors (*concordato preventivo*)) enjoy priority status in cases of subsequent bankruptcy (such status also applies to financings granted by shareholders, but only up to 80% of such financing). Financing granted "in view of" (i.e. before) presentation of a petition for the sanctioning (*omologazione*) of a debt restructuring agreement or a court supervised Pre Bankruptcy Composition with Creditors may be granted such priority status provided that it is envisaged by the relevant plan or agreement and that such priority status is expressly recognized by the court in the context of the sanctioning (*omologazione*) of the debt restructuring agreement or the approval of the *concordato preventivo*. Same provisions apply to financings granted by shareholders up to 80% of their amount.

Pursuant to the new Article 182-*quinquies* of the Italian Bankruptcy Law, the court, pending the sanctioning (*omologazione*) of the agreement pursuant to Article 182-*bis*, Paragraph 1, or after the filing of the moratorium application pursuant to Article 182-*bis*, Paragraph 6, of the Italian Bankruptcy Law or a petition pursuant to Article 161, Paragraph 6, (in relation to the court supervised pre-bankruptcy composition with creditors (*concordato preventivo*) described below) may authorize the debtor, if so expressly requested, to (i) incur new super senior (*prededucibile*) indebtedness subject to authorization by the court, (ii) secure such indebtedness via in rem security ("*garanzie reali*"), or by assigning claims, provided that the expert appointed by the debtor, having verified the overall financial needs of the company until the sanctioning (*omologazione*), declares that the new financial indebtedness aims to achieve a better satisfaction of the creditors and (iii) pay pre-existing debts deriving from the supply of services or goods, already payable and due, provided that, the expert declares that such payment is essential for the keeping of the company's activities and to ensure the best satisfaction for all creditors. In addition, according to the provisions of the Decree 83/2015, as amended by Law 132, the aforementioned authorization may be given also before the filing of the additional documentation required pursuant to Article 161, Paragraph 6 of the Italian Bankruptcy Law.

The provision of Article 182-*quinques* of the Italian Bankruptcy Law applies to both debt restructuring agreement and to the court-supervised pre-bankruptcy compositions with creditors (*concordato preventivo*) outlined below.

Furthermore, according to the Article 1 of the Decree 83/2015, as amended by Law 132, pending the sanctioning (*omologazione*) of the debt restructuring agreement pursuant to Article 182-*bis*, Paragraph 1 of the Italian Bankruptcy Law or after the filing of the moratorium application pursuant to Article 182-*bis*, Paragraph 6 of the Italian Bankruptcy Law also in absence of the plan pursuant to Article 161, Paragraph 2 letter (e) of the Italian Bankruptcy Law, the court may also authorize the debtor to incur in new super senior (so-called "prededucibile") indebtedness, aimed at supporting urgent financial needs related to the company's business. The company, while filing such request of authorization, is required to specify (i) the purpose of the financing; (ii) that it is unable to otherwise obtain the required funds and (iii) that the absence of such financing will entail an imminent and irreparable prejudice to the company.

Court-Supervised Pre-Bankruptcy Composition with Creditors (Concordato Preventivo)

A company which is insolvent or in a situation of crisis (i.e. financial distress which does not yet amount to insolvency) and that has not been declared insolvent by the court has the option to make a composition proposal to its creditors, under court supervision, in order to compose its overall indebtedness and/or reorganize its business, thereby avoiding a declaration of insolvency and the initiation of bankruptcy proceedings. Such composition proposal can be made by a commercial enterprise which exceeds any of the following thresholds: (i) has had assets (*attivo patrimoniale*) in an aggregate amount exceeding €0.3 million for each of the three preceding fiscal years, (ii) gross revenue (*ricavi lordi*) in an aggregate amount exceeding €0.2 million for each of the three preceding fiscal years, and (iii) has total indebtedness in excess of €0.5 million. Only the debtor company can initially file a petition with the court for a *concordato preventivo* (together with, among others, a restructuring plan and an independent expert report assessing the feasibility of the composition proposal and the truthfulness of the business and accounting data provided by the company). The petition for *concordato preventivo* is then published by the debtor in the company's register. From the date of such publication to the date on which the court sanctions the *concordato preventivo*, all enforcement actions, precautionary measures and interim relief actions by the creditors (whose debt became due before the sanctioning of the *concordato preventivo* by the court) are stayed. During this time, all enforcement, precautionary actions and interim measures sought by the creditors, whose title arose beforehand, are stayed. Preexisting creditors cannot obtain security interests (unless authorized by the court) and mortgages registered within the 90 days preceding the date on which the petition for the *concordato preventivo* is published in the company's register are ineffective against such pre-existing creditors.

The composition proposal filed in connection with the petition may provide for (i) the restructuring and payment of debts and the satisfaction of creditors' claims (provided that, in any case, it will ensure payment of at least 20% of the unsecured receivables, except for the case of composition with creditors with continuity of the going concern (*concordato con continuità aziendale*) pursuant to Article 186-*bis* of the Italian Bankruptcy Law, including through extraordinary transactions, such as the granting to creditors and to their subsidiaries or affiliated companies of shares, bonds (including bonds convertible into shares), or other financial instruments and debt securities), (ii) the transfer to a receiver (*assuntore*) of the operations of the debtor company making the composition proposal, (iii) the division of creditors into classes and (iv) different treatment of creditors belonging to different classes. The composition proposal may also contain a proposed tax settlement for the partial or deferred payment of certain taxes.

The filing of the petition for the *concordato preventivo* may be preceded by the filing of a preliminary petition for a *concordato preventivo* (so-called *concordato in bianco*, pursuant to Article 161, Paragraph 6, of the Italian Bankruptcy Law, as amended by Italian Law Decree No. 69/2013 as converted into Italian Law No. 98/2013). The debtor company may file such petition along with (i) its financial statements from the latest three financial years and (ii) the list of creditors with the reference to the amount of their respective receivables, reserving the right to submit the underlying plan, the proposal and all relevant documentation within a period assigned by the court between 60 and 120 days from the date of the filing of the preliminary petition, subject to only one possible further extension of up to 60 days, where there are reasonable grounds for such extension (*giustificati motivi*). In advance of such deadline, the debtor may also file a petition for the approval of a debt restructuring agreement (pursuant to Article 182-*bis* of the Italian Bankruptcy Law). If the court accepts such preliminary petition, it may (i) appoint a judicial commissioner (*commissario giudiziale*) to overview the company, who, in the event that the debtor has carried out one of the activities under Article 173 of the Italian Bankruptcy Law (*e.g.*, concealment of part of assets, omission to report one or more claims, declaration of nonexistent liabilities or commission of other fraudulent acts), will report it to the court, which, upon further verification, may reject the petition at court for a *concordato preventivo* and (ii) set forth reporting and information duties of the company during the abovementioned period. The statutory provisions providing for the stay of enforcement and interim relief actions by creditors referred to in respect of *concordato preventivo* also apply to preliminary petitions for *concordato preventivo* (so-called concordato in bianco).

The debtor company may not file such pre-application where it had already done so in the previous two years without the admission to the *concordato preventivo* having followed. The decree setting the term for the presentation of the documentation contains also the periodical information requirements (also relating to the financial management of the company and to the activities carried out for the purposes of the filing of the application and the restructuring plan) that the company has to fulfill, at least on a monthly basis, until the lapse of the term established by the court. The debtor company will file, on a monthly basis, the company's financial position, which is published, the following day, in the company's register. Non-compliance with these requirements results in the application for the composition with creditors being declared inadmissible and, upon request of the creditors or the public prosecutor and provided that the relevant requirements are verified, in the adjudication of the distressed company into bankruptcy. If the activities carried out by the debtor company appear to be clearly inappropriate to the preparation of the application and the restructuring plan, the court may, ex officio, after hearing the debtor and, if appointed, the judicial commissioner, reduce the time for the filing of additional documents.

Following the filing of the preliminary petition and until the decree of admission to the composition with creditors, the distressed company may (i) carry out acts pertaining to its ordinary activity and (ii) seek the court's authorization to carry out acts pertaining to its non-recurring activity, to the extent they are urgent.

Claims arising from acts lawfully carried out by the distressed company and new super senior indebtedness authorized by the court, pending the sanctioning (*omologazione*) of the debt

restructuring agreement pursuant to Article 182-*bis*, Paragraph 1 of the Italian Bankruptcy Law or after the filing of the moratorium application pursuant to Article 182-*bis*, Paragraph 6 of the Italian Bankruptcy Law also in absence of the plan pursuant to Article 161, Paragraph 2 letter (e) of the Italian Bankruptcy Law, aimed at supporting urgent financial needs related to the company's business as recently introduced by Article 1 of the Decree 83/2015, as amended by Law 132, are treated as super senior (so-called *prededucibili*) pursuant to Article 111 of the Italian Bankruptcy Law and the related acts, payments and security interests granted are exempted from the claw-back action provided under Article 67 of the Italian Bankruptcy Law. Italian Law No. 9/2014 specified that the super- seniority of the claims—which arise out of loans granted with a view to allowing the filing of the preliminary petition for the composition with creditors (*domanda di pre-concordato*)—is granted, pursuant to Article 111 of the Italian Bankruptcy Law, conditional upon the proposal, the plan and all other required documents being filed within the term set by the court and the company being admitted to the *concordato preventivo* within the same proceeding opened with the filing of the preliminary petition.

The composition proposal may propose that (i) the debtor's company's business continues to be run by the debtor's company as a going concern or (ii) the business is transferred to one or more companies and any assets which are no longer necessary to run the business are liquidated (*concordato con continuità aziendale*). In these cases, the petition for the *concordato preventivo* should fully describe the costs and revenue that are expected as a consequence of the continuation of the business as a going concern, as well as the financial resources and support which will be necessary. The report of the independent expert will also certify that the continuation of the business is conducive to the satisfaction of creditors' claims to a greater extent than if such composition proposal was not implemented. Furthermore, the going concern-based arrangements with creditors can provide for, among others, the winding up of those assets that are not functional to the business allowed. The composition agreement may also contain a proposed tax settlement for the partial or deferred payment of certain taxes.

If the court determines that the composition proposal is admissible, it appoints a judge (*giudice delegato*) to supervise the procedure, appoints one or more judicial officers (*commissari giudiziali*) and calls a creditors' meeting. During the implementation of the proposal, the company generally continues to be managed by its corporate bodies (usually its board of directors), but is supervised by the appointed judicial officers and judge (who will authorize all transactions that exceed the ordinary course of business). The debtor is allowed to carry out urgent extraordinary transactions only upon the prior court's authorization, while ordinary transactions may be carried out without authorization. Third-party claims, related to the interim acts legally carried out by the debtor, are super-senior (so-called *prededucibili*) pursuant to Article 111 of the Italian Bankruptcy Law.

The *concordato preventivo* is voted on at a creditors' meeting and must be approved with the favorable vote of (a) the creditors representing the majority of the receivables admitted to vote and, also in the event that the plan provides for more classes of creditors, and (b) the majority of the classes. The composition with creditors is approved only if the required majorities of creditors expressly voted in favor of the proposal. Law 132 abrogated the implied consent rule under which those creditors who, being entitled to vote, did not do so and those who did not express their dissent within 20 days of the closure of the minutes of the creditors' meeting are deemed as consenting to the composition with creditors. Under the current regime, creditors who did not exercise their voting rights in the creditors' meeting can do so (even via email) within 20 days of the closure of the minutes of the creditors' meeting and, after such term, creditors who have did not exercise their voting right will be deemed not to approve the *concordato preventivo* proposal. In relation to voting by the holder of the Notes in the concordato proceeding, the interactions between (i) the provisions set forth under the Indenture with respect to meetings of holders of the Notes, the applicable majorities and the rights of each holder of the Notes to vote in the relevant meeting and (ii) applicable Italian law provisions relating to quorum and majorities in meetings of holders of notes issued by Italian companies is untested in the Italian courts. Secured creditors are not entitled to vote on the proposal of *concordato preventivo* unless and to the extent they waive their security, or the *concordato preventivo* provides that they will

not receive full satisfaction of the fair market value of their secured assets (such value being assessed by an independent expert), in which case they can vote only in respect of the part of their debt affected by the proposal. The court may also approve the *concordato preventivo* (notwithstanding the circumstance that one or more classes objected to it) if (i) the majority of classes has approved it and (ii) the court deems that the interests of the dissenting creditors would be adequately safeguarded through it compared to other solutions. If an objection to the implementation of the *concordato preventivo* is filed by 20% of the creditors or, in case there are different classes of creditors, by a creditor belonging to a dissenting class, entitled to vote, the court may nevertheless sanction the *concordato preventivo* if it deems that the relevant creditors' claims are likely to be satisfied to a greater extent as a result of the *concordato preventivo* than would otherwise be the case.

The Decree 83/2015, as amended by Law 132, introduced the possibility for creditors (except for individuals or entities controlled, controlling or under common control of the debtor) holding at least 10% of the aggregate claims against a debtor to present an alternative plan to the debtor's plan in a pre-bankruptcy agreement proceedings (*concordato preventivo*) subject to certain conditions being met, including, in particular, that the proposal of the debtor do not ensure recovery of at least (i) 40% of the unsecured claims (*crediti chirografari*) in case of pre-bankruptcy agreement proposal with liquidation purpose (*concordato liquidatorio*), or (ii) 30% of the unsecured claims (*crediti chirografari*) in case of pre-bankruptcy agreement proposals based on the continuation of the going concern (*concordato con continuità aziendale*).

In addition, in order to strengthen the position of the unsecured creditors, Law 132 sets forth that a pre-bankruptcy agreement proposal with liquidation purpose (*concordato liquidatorio*) (i.e. a pre-bankruptcy agreement proposal aiming at transferring all the assets to the creditors and having such assets sold in their interest by the judicial commissioner) must ensure that the unsecured creditors are paid in a percentage of at least 20% of their claims. This provision does not apply to pre-bankruptcy agreement proposals based on the continuation of the going concern (*concordato con continuità aziendale*).

To the extent the alternative plan is approved by the creditors and ratified (*omologato*), the court may grant special powers to the judicial commissioner to implement the plan if the debtor does not cooperate, including by taking all corporate actions required.

In addition, Article 163-*bis* of the Italian Bankruptcy Law, introduced by the Decree 83/2015, as amended by Law 132, provides that, if a plan in pre-bankruptcy composition with creditors (*concordato preventivo*), pursuant to Article 161, Paragraph 2, letter (e) of the Italian Bankruptcy Law, includes an offer for the sale of the debtor's assets or of a going concern of the debtor to an identified third party, the judicial commissioner may request to the court the opening a competitive bidding process to the extent that it would be in the best interest of the creditors. After the approval by the creditors' meeting, the court (having settled possible objections raised by the dissenting creditors, if any) confirms the *concordato preventivo* proposal by issuing a confirmation order.

If the creditors' meeting does not approve the *concordato preventivo*, the court may, upon request of the public prosecutor or a creditor, and having decided that the appropriate conditions apply, declare the company bankrupt.

Pursuant to Article 169-*bis* of the Italian Bankruptcy Law, the debtor may request the competent court to be authorized to terminate outstanding agreements (*contratti ancora ineseguiti o non compiutamente eseguiti*), except for certain agreements which are excluded from the scope of the above provision (e.g., employment agreements (*rapporti di lavoro subordinato*), residential real estate preliminary sale agreements (*contratti preliminari di vendita aventi ad oggetto immobili ad uso abitativo*) and real estate lease agreements (*contratti di locazione di immobili*)). The request may be filed with the competent court at the time of the filing of the application for the *concordato preventivo* or to the judge (*giudice delegato*), if the application is made after admission to the procedure. Upon the debtor's request, the pending agreements can also be suspended for a period of time not exceeding 60 days, renewable just once. In such

circumstances, the other party has the right to receive an indemnification equivalent to the damages suffered for the non-fulfillment of the agreement. Such indemnification would be paid prior to and outside of the admission to the pre-bankruptcy composition.

Bankruptcy (Fallimento)

A request to declare a debtor bankrupt and to commence bankruptcy proceedings (*fallimento*) for the judicial liquidation of its assets can be filed by the debtor, any of its creditors and, in certain cases, the public prosecutor when a debtor is insolvent. Insolvency, as defined under Italian Bankruptcy Law, occurs when a debtor is no longer able to regularly meet its obligations with ordinary means as they come due. Bankruptcy is declared by the competent bankruptcy court. The Italian Bankruptcy Law is applicable only to commercial enterprises (*imprenditori commerciali*) if any of the following thresholds are met: the company (i) has had assets (*attivo patrimoniale*) in an aggregate amount exceeding €0.3 million for each of the three preceding fiscal years; (ii) has had gross revenue (*ricavi lordi*) in an aggregate amount exceeding €0.2 million for each of the three preceding fiscal years; and (iii) has total indebtedness in excess of €0.5 million.

Upon the commencement of bankruptcy proceedings, amongst other things:

- subject to certain exceptions, all actions of creditors, are stayed and creditors must file claims within a defined period;
- under certain circumstances secured creditors may execute against the secured property as soon as their claims are admitted as preferred claims. Secured claims are paid out of the proceeds of liquidation of the secured assets, together with the applicable interest and subject to any relevant expenses. In case the sale price is not high enough to determine a full satisfaction of their credits, any outstanding balance will be considered unsecured and rank *pari passu* with all of the bankrupt's other unsecured debt. Secured creditors may sell the secured asset only with the court authorization. After hearing the bankruptcy receiver (*curatore fallimentare*) and the creditors' committee, the court decides whether to authorize the sale, and sets forth the relevant timing in his or her decision;
- the administration of the debtor and the management of its assets are transferred to the bankruptcy receiver (*curatore fallimentare*);
- continuation of business may be authorized by the court if an interruption would cause greater damage to the company, but only if the continuation of the company's business does not cause damage to creditors;
- any act (including payments, pledges and issuance of guarantees) made by the debtor after (and in certain cases even before for a limited period of time) the commencement of the proceedings, other than those made through the receiver, become ineffective against creditors; and
- the execution of certain contracts and/or transactions pending as of the date of the bankruptcy declaration are suspended until the receiver decides whether to take them over.

Although the general rule is that the bankruptcy receiver is allowed to terminate contracts where some or all of the obligations have not been performed, certain contracts are subject to specific rules expressly provided for by Italian Bankruptcy Law.

Bankruptcy proceedings are carried out and supervised by a court-appointed bankruptcy receiver, a deputy judge (*giudice delegato*) and a creditors' committee. The bankruptcy receiver is not a representative of the creditors, and is responsible for the liquidation of the assets of the debtor to the satisfaction of creditors. The proceeds from the liquidation are distributed in accordance with statutory priority. The liquidation of a debtor can take a considerable amount of time, particularly in cases where the debtor's assets include real property. In this respect, Law 132

amended the relevant provision of the Italian Bankruptcy Law which sets forth the requirements applicable to the liquidation procedure and as a consequence the timing for the liquidation of a debtor is shortened. Italian Bankruptcy Law provides for priority of payment to certain preferential creditors, including employees, the Italian treasury, and judicial and social authorities. Such priority of payment is provided under mandatory provisions of law (as a consequence it is untested and it is unlikely that priority of payments such as those commonly provided in intercreditor contractual arrangements would be recognized by an Italian bankruptcy estate to the extent they are inconsistent with the priorities provided by law). Unsecured creditors are satisfied after payment of preferential and secured creditors, out of available funds and assets (if any) as below indicated.

- *Bankruptcy composition with creditors (concordato fallimentare)*. Bankruptcy proceedings can terminate prior to liquidation through a bankruptcy composition proposal with creditors. The relevant petition can be filed, by one or more creditors or third parties or the receiver, from the declaration of bankruptcy. By contrast, the debtor or its subsidiaries are only permitted to file such proposal after one year following such declaration, but within two years following the decree giving effectiveness to the liabilities account (*stato passivo*). Secured creditors are not entitled to vote on the proposal of *concordato fallimentare*, unless and to the extent they waive their security or the *concordato fallimentare* provides that they will not receive full satisfaction of the fair market value of their secured assets (such value being assessed by an independent expert), in which case they can vote only in respect of the part of their debt affected by the proposal. The petition may provide for the division of creditors into classes (thereby proposing different treatment among the classes) and the satisfaction of creditors' claims in any manner. The petition may provide that secured claims are paid only in part. The *concordato fallimentare* proposal must be approved by the creditors' committee and the creditors holding the majority (by value) of claims (and, if classes are formed, also by a majority (by value) of the claims in a majority of the classes). Final court ratification is also required.
- *Statutory priorities*. The statutory priority assigned to creditors under the Italian Bankruptcy Law may be different from the priorities in the United States, the United Kingdom and certain other EU jurisdictions. Under Italian law, the proceeds from the sale of the bankrupt's estate are distributed according to legal rules of priority. Neither the debtor nor the court can deviate from the rules of statutory priority by proposing their own priorities of claims or by subordinating one claim to another based on equitable subordination principles. The rules of statutory priority create a hierarchy of claims that must be adhered to when distributing the proceeds derived from the sale of the entire bankrupt's estate or part thereof, or from a single asset.

Article 111 of the Italian Bankruptcy Law establishes that proceeds of liquidation shall be allocated according to the following order: (i) for payments of "pre deductible" claims (i.e. claims originated in the insolvency proceeding, such as costs related to the procedure); (ii) for payment of claims which are privileged, such as claims of secured creditors; and (iii) for the payment of unsecured creditors' claims. Under Italian law, the highest priority claims (after the costs of the proceedings are paid) are the claims of preferential creditors including, *inter alia*, a claim whose priority is legally acquired, the claims of the Italian tax authorities and social security administrators, and claims for employee wages. The remaining priority claims are, in order of priority, those of "privileged creditors" (*creditori privilegiati*; a priority in payment in most circumstances, but not exclusively, provided for by law), mortgagees (*creditori ipotecari*), pledgees (*creditori prignoratizi*) and unsecured creditors (*crediti chirografari*). Under Italian law, the proceeds from the sale of the bankrupt's estate are distributed according to legal rules of priority. Neither the debtor nor the court can deviate from these priority rules by proposing their own priorities of claims or by subordinating one claim to another based on equitable subordination principles. The law creates a hierarchy of claims that must be adhered to when distributing the proceeds derived from the sale of the entire bankrupt's estate or part thereof, or from a single asset.

- *Avoidance powers in insolvency*. Similar to other jurisdictions, there are so-called "claw-back" or avoidance provisions under Italian law that may give rise, *inter alia*, to the revocation of payments or to the granting of security interests made by the debtor prior to the declaration of bankruptcy. The key avoidance provisions address transactions made below market value, preferential transactions and transactions made with a view to defraud creditors. Claw-back rules under Italian law are normally considered to be particularly favorable to the receiver in bankruptcy compared to the rules applicable in other jurisdictions.

In bankruptcy proceedings, depending on the circumstances, the Italian Bankruptcy Law provides for a claw-back period of up to either one year or six months in certain circumstances (please note that in the context of extraordinary administration procedures—see below—in relation to certain transactions, the claw-back period can be extended to five and three years, respectively) and a two-year ineffectiveness period for certain other transactions.

The Italian Bankruptcy Law distinguishes between acts or transactions which are ineffective by operation of law and acts or transactions which are voidable at the request of the bankruptcy receiver / court commissioner, as detailed below.

(a) Acts ineffective by operation of law.

(iii) Under Article 64 of the Italian Bankruptcy Law, subject to certain limited exception, all transactions entered into for no consideration are ineffective *vis-à-vis* creditors if entered into by the bankrupt entity in the two-year period prior to the insolvency declaration. Any asset subject to a transaction which is ineffective pursuant to Article 64 of the Italian Bankruptcy Law becomes part of the bankruptcy estate by operation of law upon registration (*trascrizione*) of the declaration of bankruptcy, without need to wait the ineffectiveness of the transaction is sanctioned by a court. Any interested person may challenge the registration before the delegated judge for violation of law; and

(iv) under Article 65 of the Italian Bankruptcy Law, payments of receivables falling due on the day of the insolvency declaration or thereafter are deemed ineffective *vis-à-vis* creditors, if made by the bankrupt entity within the two-year period prior to the insolvency declaration.

(b) Acts that may be avoided at the bankruptcy receiver's request.

(i) The following acts and transactions, if done or made during the period specified below, may be clawed back (*revocati*) *vis-à-vis* the bankruptcy as provided for by Article 67 of the above referenced Italian Bankruptcy Law and be declared ineffective, unless the non-insolvent party proves that it had no actual or constructive knowledge of the debtor's insolvency at the time the transaction was entered into:

- onerous transactions entered into in the year before the insolvency declaration, when the value of the debt or the obligations undertaken by the bankrupt entity exceeds 25% of the value of the consideration received by and/or promised to the debtor;
- payments of debts, due and payable, which were not made by the debtor in cash or by other customary means of payment in the year prior to the insolvency declaration;
- pledges and mortgages granted by the bankrupt entity in the year prior to the insolvency declaration in order to secure pre-existing debts which not yet due at the time the new security was granted; and
- pledges and mortgages granted by the bankrupt entity in the six months prior to the insolvency declaration in order to secure pre-existing debts which had already fallen due at the time the new security was granted.

(ii) The following acts and transactions, if made during the vulnerability period or such other period specified below, may be clawed back (*revocati*) and declared

ineffective if the bankruptcy receiver proves that the other party knew that the bankrupt entity was insolvent at the time of the act or transaction:

- the payments of debts that are immediately due and payable and any onerous transactions entered into or made within six months prior to the insolvency declaration; and
- the granting of security interest for debts incurred in the six months prior to the insolvency declaration.

(iii) The following transactions are exempt from claw-back actions:

- a payment for goods or services made in the ordinary course of business according to market practice;
- a remittance on a bank account; provided that it does not materially and permanently reduce the bankrupt entity's debt towards the bank;
- a sale, including an agreement for sale registered pursuant to Article 2645-*bis* of the Italian Civil Code, currently in force, made for a fair value and concerning a residential property that is intended as the main residence of the purchaser or the purchaser's family (within three degrees of kinship) or a non-residential property that is intended as the main seat of the enterprise of the purchaser; provided that, as at the date of the insolvency declaration, the activity is actually exercised therein or the investments for the commencement of such activity have been carried out therein;
- transactions entered into, payments made and guarantees and security granted by, the debtor pursuant to a plan under Article 67 of the Italian Bankruptcy Law (see "*—Out-of-Court Reorganization Plans (Piani di Risanamento) pursuant to Article 67, Paragraph 3(d) of the Italian Bankruptcy Law*" above);
- a transaction entered into, payment made or security interest granted to implement a *concordato preventivo* (see "*—Court-Supervised Pre-Bankruptcy Composition with Creditors (Concordato Preventivo)*" above) or an *accordo di ristrutturazione dei debiti* under Article 182-*bis* of the Italian Bankruptcy Law (see "*—Debt Restructuring Agreements with Creditors Pursuant to Article 182-bis of the Italian Bankruptcy Law (Accordi di Ristrutturazione dei Debiti)*" above);
- remuneration payments to the bankrupt entity's employees and consultants concerning work carried out by them; and
- payments of a debt that is immediately due, payable and made on the due date, with respect to services necessary for access to *concordato preventivo* procedures.

In addition, in certain cases, the bankruptcy receiver can request that certain transactions of the bankrupt entity be declared without effect *vis-à-vis* the acting creditors within the Italian Civil Code ordinary claw-back period of five years (*revocatoria ordinaria*). Under Article 2901 of the Italian Civil Code, a creditor may demand that transactions through which the bankrupt entity disposed of its assets to the detriment of such creditor's rights be declared ineffective with respect to such creditor, provided that the bankrupt entity was aware of such detriment (or, if the transaction was entered into prior to the date on which the creditor's claim originated, that such transaction was fraudulently entered into by the debtor in order to cause detriment of such creditor's rights) and that, in the case of a transaction entered into for consideration with a third person, the third person was aware of such detriment (or, if the transaction was entered into prior to the date on which the creditor's claim originated, such third party participated in the fraudulent scheme). Burden of proof is entirely with the receiver.

Law 132 also introduced new Article 2929-*bis* to the Italian Civil Code, providing for a "simplified" claw- back action for the creditor with respect to certain types of transactions put in place by the debtor with the aim to subtract (registered) assets from the attachment by its

creditors. In particular, the creditor can now start enforcement proceedings over the relevant assets without previously obtaining a Court decision clawing back/nullifying the relevant (fraudulent) transaction, to the extent that such transaction had been carried out without consideration (*e.g.*, gratuitous transfers, or creation of shield instruments such as trusts or the so-called *fondo patrimoniale*, i.e. "family trust"). In case of gratuitous transfers, the enforcement action can also be carried out by the creditor against the third-party purchaser.

Finally, as noted above, the EU Insolvency Regulation contains conflicts of law rules which replace the various national rules of private international law in relation to insolvency proceedings within the European Union.

Extraordinary Administration for Large Insolvent Companies (Amministrazione Straordinaria delle Grandi Imprese in Stato di Insolvenza)

An extraordinary administration procedure applies under Italian law for large industrial and commercial enterprises (the *Prodi-bis* procedure). To be eligible, the relevant company must be insolvent, but demonstrating serious recovery prospects. To qualify for this procedure, the debtor company must have employed at least 200 employees in the year preceding the commencement of the procedure. In addition, it must have debts equal to at least two-thirds of its assets as shown in its financial statements and two-thirds of its income from sales and services during its last financial year. Any of the creditors, the debtor, a court or the public prosecutor may make a petition to commence an extraordinary administration procedure. The same rules set forth for bankruptcy proceedings with respect to existing contracts and creditors' claims largely apply to extraordinary administration proceedings. Preferential payment is granted to those credits (even unsecured) accrued to allow the conduct of the company's business activity.

There are two main phases: a "judicial phase" and an "administrative phase."

(a) *Judicial Phase*. In the judicial phase, the court determines whether the company meets the admission criteria and whether it is insolvent. It then issues a decision to that effect and appoints up to three judicial receivers (*commissario giudiziale*) to investigate whether the company has serious prospects for recovery via a business sale or reorganization. The judicial receiver files a report with the court within 30 days, and within ten days from such filing, the Italian Ministry of Economic Development (the "**Ministry**") shall file an opinion on the admission of the company to the extraordinary administration procedure. The court then decides (within 30 days from the filing of the report) whether to admit the company to the procedure or to place it into bankruptcy.

(b) *Administrative Phase*. Assuming that the company is admitted to the extraordinary administration procedure, the administrative phase begins and an extraordinary commissioner (or commissioners) is appointed by the Ministry. The extraordinary commissioner(s) prepare(s) a plan which can provide for either the sale of the business as a going concern within one year (unless extended by the Ministry) (the "**Disposal Plan**") or a reorganization leading to the company's economic and financial recovery within two years (unless extended by the Ministry) (the "**Recovery Plan**"). The plan may also include an arrangement with creditors (*e.g.*, a debt for equity swap, an issue of shares in a new company to whom the assets of the company have been transferred, etc.) (*concordato*). The plan must be approved by the Ministry within 30 days from submission by the extraordinary commissioner.

In addition, the extraordinary commissioner draws up a report every six months on the financial condition and interim management of the company and sends it to the Ministry.

The procedure ends upon successful completion of either a Disposal Plan or a Recovery Plan, failing which the company is declared bankrupt.

Industrial Restructuring of Large Insolvent Companies (Ristrutturazione Industriale di Grandi Imprese in Stato di Insolvenza)

Introduced in 2003 pursuant to Italian Law Decree No. 347 of December 23, 2003, as converted into Italian Law No. 39 of 2004 and subsequently amended, this procedure is also known as the "Marzano procedure." It is complementary to the *Prodi-bis* procedure and, except as otherwise provided, the same provisions apply. The Marzano procedure is intended to work faster than the *Prodi-bis* procedure. For example, although a company must be insolvent, the application to the Ministry can be made before the court commences the administrative phase.

The Marzano procedure only applies to large insolvent companies which, on a consolidated basis, have at least 500 employees in the year before the procedure is commenced and at least €300 million of debt (including those from outstanding guarantees). The decision whether to open a Marzano procedure is taken by the Ministry following the debtor's request (who must also file an application for the declaration of insolvency). The Ministry assesses whether the relevant requirements are met and then appoints the extraordinary commissioner(s) who will manage the company. The court also decides on the company's insolvency.

The extraordinary commissioner(s) has/have 180 days (or 270 days if the Ministry so agrees) to submit a Disposal Plan or Recovery Plan. The restructuring through the Disposal Plan or the Recovery Plan must be completed within, respectively, one year (extendable to two years) and two years. If no Disposal Plan or Recovery Plan is approved by the Ministry, the court will declare the company bankrupt and open bankruptcy proceedings.

Compulsory Administrative Winding-Up (Liquidazione Coatta Amministrativa)

A compulsory administrative winding-up (*liquidazione coatta amministrativa*) is only available for public interest entities such as state-controlled companies, insurance companies, credit institutions and other financial institutions, none of which can be wound up pursuant to bankruptcy proceedings. It is irrelevant whether these companies belong to the public or the private sector. A compulsory administrative winding-up is special insolvency proceedings in that the entity is liquidated not by the bankruptcy court but by the relevant administrative authority that oversees the industry in which the entity is active. The procedure may be triggered not only by the insolvency of the relevant entity, but also by other grounds expressly provided for by the relevant legal provisions (e.g., in respect of Italian banks, serious irregularities concerning the management of the bank or serious violations of the applicable legal, administrative or statutory provisions).

The effect of this procedure is that the entity loses control over its assets and a liquidator (*commissario liquidatore*) is appointed to wind up the company. The liquidator's actions are monitored by a steering committee (*comitato di sorveglianza*). The powers assigned to the designated judge and the bankruptcy court under the other insolvency proceedings are assumed by the relevant administrative authority under this procedure. The effect of the forced administrative winding-up on creditors is largely the same as under bankruptcy proceedings and includes, for example, a ban on enforcement measures. The same rules set forth for bankruptcy proceedings with respect to existing contracts and creditors' claims largely apply to extraordinary administration proceedings.

Interim Financing

Decree 83/2015, as amended by Law 132, introduced the possibility for debtors to also obtain authorization to receive urgent interim financing and to continue to use existing trade receivables credit lines (*linee di credito autoliquidanti*) necessary for their business needs before a court's approval of a Pre-Bankruptcy Composition with Creditors (*concordato preventivo*) or the entry into a debt restructuring agreement (*accordo di ristrutturazione dei debiti*) with priority status (*prededucibilità*) in case of subsequent bankruptcy without the expert certification and through an accelerated review process by the relevant court, upon, among others, the relevant debtor's declaration that interim finance is urgently needed and the debtor's inability to access such finance would cause imminent and irreparable damage. The court must decide on the

request within ten days of the filing of the application after consultation with the judicial commissioner and, if deemed necessary, the principal creditors.

Before the entry into force of Decree 83/2015, debtors could be granted financing with priority status (*prededucibilità*) before a court's approval of a Pre-Bankruptcy Composition with Creditors (*concordato preventivo*) or the entry into a debt restructuring agreement (*accordo di ristrutturazione dei debiti*) if (i) an expert certified that such financing is functional to the overall restructuring process or (ii) such financing is provided for by the plan or the agreement, provided in each case that the court approved such priority status.

Hardening Period / Claw-back and Fraudulent Transfer

In a bankruptcy proceeding, the Italian Bankruptcy Law provides for a claw-back period of up to one year (six months in certain circumstances). In addition, in certain cases, the bankruptcy receiver can request that certain transactions of the debtor are declared ineffective within the Italian Civil Code ordinary claw-back period of five years ("*revocatoria ordinaria*").

Under Italian law, in the event that the relevant guarantor and/or security provider enters into insolvency proceedings, the security interests created under the documents entered into to secure the Collateral and any future security interests or guarantees could be subject to potential challenges by an insolvency administrator or by other creditors of such guarantor and/or security provider under the rules of avoidance or claw-back of Italian Bankruptcy Law and the relevant law on the non-insolvency avoidance or claw-back of transactions by the debtor made during a certain legally specified period (the "*suspect period*"). The avoidance may relate to:

(i) transactions made by the debtor within a suspect period of one year prior to the declaration of the insolvency at below market value (i.e. to the extent the asset or obligation given or undertaken exceeds by one quarter the value of the consideration received by the debtor), or involving unusual means of payment (*e.g.*, payment in kind) or new security granted with respect to pre-existing debts not yet due at the time the security is entered into after the creation of the secured obligations, unless the non-insolvent creditor proves that it had no knowledge of the debtor's insolvency at the time the transaction was entered into, (ii) security granted within six months prior to the declaration of insolvency with respect to pre-existing debts due and payable, unless the non-insolvent creditor proves that it had no knowledge of the debtor's insolvency at the time the transaction was entered into, and (iii) payments of due and payable obligations, transactions at arm's length or security taken simultaneously to the creation of the secured obligations during the suspect period of six months prior to the declaration of the insolvency, if the bankruptcy receiver proves that the creditor was aware of the insolvency of the debtor. The transactions potentially subject to avoidance also include those contemplated by a Notes Guarantee or the granting of security interests under the Security Documents by a guarantor and/or security provider. If they are challenged successfully, the rights granted under a Notes Guarantee or in connection with security interests under the relevant Security Documents may become unenforceable and any amounts received must be refunded to the insolvent estate. To the extent that the grant of any security interest is voided, holders of the Notes could lose the benefit of the security interest and may not be able to recover any amounts under the related Security Documents.

It should be noted that (i) under Article 64 of the Italian Bankruptcy Law, subject to certain limited exceptions, all transactions carried out by the insolvent debtor for no consideration are ineffective *vis-à-vis* creditors if entered into by the debtor in the two-year period prior to the insolvency declaration and (ii) under Article 65 of the Italian Bankruptcy Law, payments of receivables falling due on the day of the insolvency declaration or thereafter are ineffective *vis-à-vis* creditors, if made by the bankrupt entity in the two-year period prior to insolvency.

In addition, as noted above, the EU Insolvency Regulation contains conflicts of law rules which replace the various national rules of private international law in relation to insolvency proceedings within the European Union.

Certain Limitations on Enforcement

The enforcement of security interests by creditors in Italy can be complex and time consuming, especially in a liquidation scenario, given that Italian courts maintain a significant role in the enforcement process in comparison to other jurisdictions with which the holders of the Notes may be familiar. The two primary goals of the Italian law are first, to maintain employment, and second, to liquidate the debtor's assets for the satisfaction of creditors. These competing goals often have been balanced by the sale of businesses as going concerns and by ensuring that employees are transferred along with the businesses being sold.

Under Italian law, in the event that an entity becomes subject to insolvency proceedings, guarantees and security interests given by it or by way of a trust or parallel debt obligation could be subject to potential challenges by the appointed bankruptcy receiver or by other creditors under the rules of ineffectiveness or avoidance or claw-back of Italian Bankruptcy Law and the relevant law on the non-insolvency avoidance or claw-back of transactions made by the debtor during a certain legally specified period (the "suspect period"). For a more detailed explanation of the terms, conditions and consequences of claw-back actions in an insolvency scenario, see "*—Bankruptcy (fallimento)*" above.

If challenged successfully, the guarantee or the security interest may become unenforceable and any amounts received must be refunded to the insolvent estate. To the extent that the grant of any security interest or guarantee is voided, holders of the Notes could lose the benefit of the security interest or guarantee and may not be able to recover any amounts under the related security documents.

Furthermore, in the event that the limitations on the guarantee issued by any guarantor incorporated under the laws of Italy apply and/or there are payment obligations under the Notes other than in respect of principal or interest, the noteholders could have a reduced claim against the relevant guarantor.

According to Italian law, the enforcement of any claims, obligations, security interest and rights in general may be subject to, *inter alia*, the following aspects:

(a) the enforcement of obligations may be limited by the insolvency proceedings listed above relating to or affecting the rights of creditors;

(b) an Italian court will not necessarily grant any specific enforcement or precautionary measures, the availability of which is subject to the discretion of the Italian court;

(c) with respect to contracts providing for mutual obligations (*contratti a prestazioni corrispettive*), each party can refuse to perform its obligation if the other party does not perform or does not offer to perform its own obligation thereunder, in accordance with and subject to the provisions of Article 1460 of the Italian Civil Code;

(d) claims arising under Italian law governed documents may become barred under the provision of Italian law concerning prescriptions and limitations by the lapse of time (*prescrizioni and decadenze*) or may be or become subject to a claim of set-off (*compensazione*) or to counterclaim;

(e) pursuant to Article 1241 of the Italian Civil Code concerning set-off of reciprocal obligations (*compensazione*), persons who have reciprocal debt obligations may set-off such obligations for the correspondent amount when both such debt obligations have as an object a pecuniary obligation or fungible assets and are equally liquid and payable;

(f) where any party to any agreement or instrument is vested with discretion or may determine a matter in its opinion, Italian law may require that such discretion is exercised reasonably or that such opinion is based on reasonable grounds;

(g) the enforceability in Italy of obligations or contractual provisions governed by a foreign law may be limited by the application of Italian overriding mandatory provisions (*norme*

di applicazione necessaria) and by the fact that the relevant provisions of foreign laws may be deemed contrary to Italian public policy principles and there is no case law setting out specific criteria for the application of such legal concepts under Italian law;

(h) there is some possibility that an Italian court could hold that a judgment on a particular agreement or instrument, whether given in an Italian court or elsewhere, would supersede such agreement or instrument to all intents and purposes, so that any obligation thereunder which by its terms would survive such judgment might not be held to do so;

(i) enforcement of obligations may be invalidated by reason of fraud or abuse of the law (*abuso del diritto*);

(j) the enforceability of an obligation pursuant to the terms set forth in any agreement or instrument may be subject to the interpretation of an Italian court which may carry out such interpretation pursuant to the provisions of Articles 1362 and following of the Italian Civil Code;

(k) any question as to whether or not any provision of any agreement or instrument which is illegal, invalid, not binding, unenforceable or void may be severed from the other provisions thereof in order to save those other provisions would be determined by an Italian court on the basis of the interpretation of intention of the parties, taking also into account the conduct of the parties following the execution of such agreement or instrument (Article 1419 of the Italian Civil Code);

(l) an Italian company, either directly or indirectly, cannot grant loans or provide security interest for the purchase or subscription of its own shares unless the strict requirements provided for the Italian Civil Code are satisfied;

(m) an Italian company must have a specific corporate interest in guaranteeing or securing financial obligations of its parent company or any other companies, whether related or unrelated, such interest being determined by the relevant company on a case-by-case basis;

(n) in case of bankruptcy, a receiver in bankruptcy is appointed by the court to administer the proceeding under the supervision of the bankruptcy court and creditors' committee and creditors cannot start or continue individual foreclosure actions (including the enforcement of security interests) against the debtor (automatic stay). Furthermore, the sale of the relevant pledged assets is carried out by such receiver unless the pledgee is expressly authorized by the bankruptcy court;

(o) the preemption rights (*prelazione*) granted by a pledge extend to interest accrued in the year in which the date of the relevant seizure / attachment or adjudication in bankruptcy falls (or, in the absence of seizure / attachment, at the date of the notification of the payment demand (*precetto*)) and extend, moreover, to interest accrued and to accrue thereafter, but only to the extent of legal interest and until the date of the forced sale occurred in the context of the relevant foreclosure proceeding / bankruptcy proceedings;

(p) in order to oppose an assignment to any third party, it will be necessary to notify such assignment to the relevant debtor or make such debtor to accept it by an instrument bearing an undisputable date (*data certa*); the priority of such assignment will be determined accordingly. One way of ensuring that a document has an indisputable date is that of ensuring that the execution of the relevant document by one of the parties to it is witnessed by a notary who states the date of witnessing on the document;

(q) there could be circumstances in which Italian law would not give effect to provisions concerning advance waivers or forfeitures;

(r) the effectiveness of terms exculpating a party from liability or duties otherwise owed is prevented by Italian law in the event of gross negligence (*colpa grave*), willful misconduct (*dolo*) or the violation of mandatory provisions;

(s) penalties and liquidated damages (*penali*) may be equitably reduced by a court;

(t) Italian courts do not necessarily give full effect to an indemnity for the costs of enforcement or litigation;

(u) a security interest does not prevent creditors of the relevant debtor other than the pledge from continuing enforcement or enforcement proceedings on the assets secured by the relevant pledge; and

(v) in case of bankruptcy of the grantor of the pledge over quotas or shares, the assets secured by the pledge could be freely sold to any third party in the context of the relevant bankruptcy proceeding and, as a consequence, the proceeds would be set aside for the prior satisfaction of the pledgee but the pledge would be terminated and, therefore, the latter would lose entitlement to the voting rights on the pledged quotas / shares.

In addition, under Italian law, in certain circumstances also in the ordinary course of business, an action can be brought by any creditor of a given debtor within five years from the date in which the latter enters into a guarantee, security, agreement and any other act by which it disposes of any of its assets, in order to seek a claw-back action (*azione revocatoria ordinaria*) pursuant to Article 2901 of the Italian Civil Code (which results in a declaration of ineffectiveness as to the acting creditor) of the applicable guarantee, security, agreement and other act that is purported to be prejudicial to the acting creditor's right of credit. An Italian court could revoke the applicable guarantee, security, agreement and other act only if it, in addition to the ascertainment of the prejudice, was to make the two following findings:

(a) that the debtor was aware of the prejudice which the act would cause to the rights of the acting creditor, or, if such act was done prior to the existence of the claim or credit, that the act was fraudulently designed for the purpose of prejudicing the satisfaction of the claim or credit; and

(b) that, in the case of non-gratuitous act, the third party involved was aware of the relevant prejudice and, if the act was done prior to the existence of the claim or credit, that such third party participated in the fraudulent design.

See "*Risk factors—Risks related to the Notes, the Notes Guarantee and the Collateral—The grant of the Guarantor Collateral is subject to the Italian Golden Power Clearance and the outcome of such process is uncertain*," "*Risk factors—Your rights in the Collateral securing the Notes may be adversely affected by the failure to perfect security interests in the Collateral*" and "*Risk factors—The recovery from the enforcement of the share pledges forming part of the Collateral may be complicated, involve long recovery times and a low recovery rate*."

Limitations on Validity and Enforceability of the Notes Guarantee and Security Interests Under Italian Law

Corporate Benefit

Under Italian law, the entry into a transaction (including the creation of a security interest or the granting of a guarantee) by a company incorporated under Italian law must be permitted by the applicable laws and by its by-laws (*statuto sociale*) and is subject to compliance with the rules on corporate benefit, corporate authorization and certain other Italian mandatory provisions. If a security interest or a guarantee is being provided in the context of an acquisition, group reorganization, refinancing or restructuring, financial assistance issues may also be triggered.

An Italian company entering into a transaction (including granting a guarantee or a security interest) must receive a real and adequate benefit in exchange for the guarantee or the security interest being provided by such company. The concept of real and adequate benefit is not defined in the applicable legislation, is assessed and determined by a factual analysis on a case-by-case basis and its existence is a business decision of the directors and the statutory auditors, if any. As a general rule, corporate benefit is to be assessed at the level of the relevant

company on a stand-alone basis, although upon certain circumstances and subject to specific rules the interest of the group to which such company belongs may also be taken into consideration. While corporate benefit for downstream security or guarantee (i.e. a guarantee guaranteeing or a security interest granted to secure financial obligations of direct or indirect subsidiaries of the relevant grantor) is usually self-evident, the validity and effectiveness of up-stream or cross stream security or guarantee (i.e. a guarantee guaranteeing or a security interest granted to secure financial obligations of the direct or indirect parent or sister companies of the relevant grantor) granted by an entity incorporated under the laws of Italy depends on the existence of a real and adequate benefit in exchange for the granted security interest or guarantee and may be challenged unless it can be proved that the grantor may derive adequate benefits or advantages from the granting of such guarantee or security. In particular, in case of an up-stream and cross-stream guarantee or security for the financial obligations of group companies, examples may include financial consideration in the form of access to cash flows through intercompany loans from other members of the group, while transactions featuring debt financings of distributions to shareholders are largely untested in Italian courts, and, therefore, limited guidance is provided as to whether and to what extent such transactions could be challenged for lack of corporate benefit and conflict of interest. The general rule is that the risk assumed by an Italian grantor of security or guarantor under a guarantee must not be disproportionate to the direct or indirect economic benefit to it.

As a general rule, absence of a real and adequate benefit could render the transaction (including granting a security interest or a guarantee entered into) by an Italian company *ultra vires* and potentially affected by a conflict of interest and the related corporate resolutions adopted by the shareholders and directors may be the subject matter of challenges and annulment. Civil liabilities may be imposed on the directors of an Italian grantor if a court holds that it did not act in the best interest of the grantor and that the acts carried out do not fall within the corporate purpose of the company or were against mandatory provisions of Italian law. The lack of corporate benefit could also result in the imposition of civil liabilities on those companies or persons ultimately exercising control over an Italian grantor or having knowingly received an advantage or profit from such improper control. Moreover, the transaction (including the security interest or guarantee granted by an Italian company) could be declared null and void if the lack of corporate benefit was known or presumed to be known by the third party and such third party acted intentionally against the interest of the Italian company.

The above principles on corporate benefit apply equally to up-stream, cross-stream and down-stream guarantees or security interests granted by Italian companies.

Upon certain conditions, the granting of guarantees may be considered as a restricted financial activity within the meaning of Article 106 of the Italian Banking Act, whose exercise is exclusively restricted to banks and authorized financial intermediaries. Non-compliance with the provisions of the Italian Banking Act may, among others, entail the relevant guarantees being considered null and void. In this respect, Italian Legislative Decree No. 53 of April 2, 2015, implementing Article 106, Paragraph 3, of the Italian Banking Act, states that the issuance of guarantees or the granting of security by a company for the obligations of another company which is part of the same group does not qualify as a restricted financial activity, whereby "group" includes controlling and controlled companies within the meaning of Article 2359 of the Italian Civil Code as well as companies which are under the control of the same entity. As a result of the above described rules, subject to the relevant guarantors and the guaranteed entity being part of the same group of companies, the provision of the guarantees would not amount to a restricted financial activity.

Financial Assistance

In addition, the granting of a security or a guarantee by an Italian company cannot include any liability which would result in unlawful financial assistance within the meaning of Article 2358 or 2474, as the case may be, of the Italian Civil Code pursuant to which, subject to specific exceptions, it is unlawful for a company to give financial assistance (whether by means of loans,

security, guarantees or otherwise) to support the acquisition or subscription by a third party of its own shares or quotas or those of any entity that (directly or indirectly) controls the Italian company. Financial assistance for refinancing indebtedness originally incurred for the purchase or subscription of its own shares or quotas or those of its direct or indirect parent company would also be a violation of financial assistance provisions. Any loan, guarantee or security given or granted in breach of these provisions is null and void. In addition, directors may be personally liable for failure to act in the best interests of the company.

Article 1938 of the Italian Civil Code

Pursuant to Article 1938 of the Italian Civil Code, if a guarantee granted by a guarantor incorporated under the laws of Italy is issued to guarantee conditional or future obligations, the guarantee must be limited to a maximum amount. Such maximum amount should be expressly identified at the outset and expressed in figures (either in the guarantee deed or by reference to a separate document, such as the Indenture). In addition, as mentioned above, the guarantees granted by a guarantor incorporated under the laws of Italy must be supported by corporate benefit; in other words, the maximum guaranteed amount must be indicated in the guarantee and shall not exceed the financial capabilities of the relevant Italian guarantor. It has been held, that such determination must be proportionate to the relevant guarantor's assets. If such determination is deemed disproportional to the assets of the relevant Italian guarantor, there is the risk that the guarantee could be declared void.

Limitations to the Notes Guarantee and the Collateral

In order to comply with the above corporate law requirements on, *inter alia*, corporate benefit and financial assistance, the maximum amount that the Guarantor may be required to pay in respect of its obligations as Guarantor and/or security provider under the Indenture, the Revolving Credit Facility Agreement and the Intercreditor Agreement and any other transaction documents related thereto, will be subject to limitations. By virtue of these limitations, the Guarantor's obligations under its Notes Guarantee and/or security interests will be significantly less than amounts payable with respect to the Notes, or such Guarantor may have effectively no obligation under its Notes Guarantee or security interests.

As a result of the applicable limitations under Italian law with respect to, amongst others, corporate benefit and financial assistance, notwithstanding anything to the contrary provided in the Indenture, the Revolving Credit Facility Agreement and the Intercreditor Agreement:

(a) the Notes Guarantee and security interests granted by the Guarantor shall not exceed at any time an amount equal to the aggregate principal amount of any intercompany loans made available from time to time to the Guarantor (or any of its direct or indirect subsidiaries pursuant to article 2359 of the Italian Civil Code) by the Issuer (whether directly or indirectly), in each case net of any proceeds already paid pursuant to the enforcement of its guarantee under the Revolving Credit Facility and/or received upon the enforcement of any security interests granted by the Guarantor; provided further that the Guarantor shall not be liable as a Guarantor and/or security provider in respect of any amounts in excess of the amount that the Guarantor is entitled to set-off against its claims of recourse or subrogation (*regresso* or *surrogazione*) arising as a result of any payment made by the Guarantor under the relevant Notes Guarantee and/or as a result of the enforcement of any security interests granted by the Guarantor;

(b) the maximum amount guaranteed and/or secured by the Guarantor, also in accordance with Article 1938 of the Italian Civil Code (where applicable), will not exceed 120% of the outstanding principal amount of the Notes;

(c) the aggregate amount of interest in respect of the Notes guaranteed and/or secured by the Guarantor will be at any time equal to the interest then-outstanding in respect of a principal amount of the Notes equal to the principal amount of the Notes guaranteed and/or secured by the Guarantor at that time; and

(d) notwithstanding any provision to the contrary in the Indenture, in order to comply with the mandatory provisions of Italian law in relation to (i) maximum interest rates (including the Italian Usury Law and Article 1815 of the Italian Civil Code) and (ii) capitalization of interests (including Article 1283 of the Italian Civil Code and Article 120 of the Italian Legislative Decree No. 385 of September 1, 1993), the obligations of the Guarantor under its Notes Guarantee and/or any security interests granted by the Guarantor shall not include and shall not extend to (A) any interest qualifying as usurious pursuant the Italian Usury Law and (B) any interest on overdue amounts compounded in violation of the provisions set forth by Article 1283 of the Italian Civil Code and/or Article 120 of the Italian Legislative Decree No. 385 of September 1, 1993, respectively.

In any case, the maximum amount that the Guarantor may be required to pay in respect of its obligations as Guarantor under the Indenture and/or security grantor under the relevant security documents upon enforcement of the Collateral granted by the Guarantor (if any) will ratably concur and not cumulate with the corresponding amounts due by the Guarantor to any guaranteed and/or secured creditor pursuant to the Revolving Credit Facility Agreement and/or the Intercreditor Agreement (including any guaranteed and/or secured creditors with respect to any further *pari passu* indebtedness contemplated under the Intercreditor Agreement) and/or any security documents, and *vice versa*. For the avoidance of doubt, by virtue of the abovementioned limitations applicable to the guarantees and the security interests granted by the Guarantor (if any), the obligations of the Guarantor as guarantor and/or security provider under the Notes, the Indenture, the Revolving Credit Facility Agreement, the Intercreditor Agreement and any agreement regulating future *pari passu* indebtedness contemplated under the Intercreditor Agreement, the security documents relating to the Collateral and any other transaction documents related thereto shall not be deemed to be cumulative and shall be considered without duplication, and the transaction documents will provide that the aggregate amount of the proceeds deriving from any enforcement of any such guarantee and/ or security obligations of the Guarantor shall not exceed on an aggregate basis the limit of the Guarantor's credit support as described above.

The proceeds of the enforcement of such guarantees and/or security interests shall be distributed amongst the guaranteed and/or secured creditors (including, without limitation, the holders of the Notes) in accordance with the provisions of the Intercreditor Agreement. Accordingly, the holders of the Notes, as applicable, will be able to recover limited amounts under the Notes Guarantee and security.

Trust

The Collateral will be created and perfected in favor of the Security Agent acting in its capacity as representative (*rappresentante*) of the holders of the Notes pursuant to Article 2414-*bis*, Paragraph 3, of the Italian Civil Code. Under such provision (introduced by Italian Law No. 164 of November 11, 2014), the security interests and guarantees assisting bond issuances can be validly created in favor of the holders of the Notes or in favor of a representative (*rappresentante*) of the holders of the Notes who will then be entitled to exercise in the name and on behalf of the holders all their rights (including any rights before any court and judicial proceedings) relating to the security interests and guarantees. However, there is no guidance or available case law on the exercise of the rights and enforcement of such security interest and guarantees by a *rappresentante* pursuant to Article 2414-*bis*, Paragraph 3, of the Italian Civil Code also in the name and on behalf the holders of the Notes, which are neither directly parties to the Collateral nor are specifically identified therein or in the relevant share certificates and corporate documents or public registries.

In addition, as the holders of the Notes are not direct parties to the Indenture, there is the risk that the appointment of the Security Agent in its capacity as representative (*rappresentante*) of the holders of the Notes pursuant to Article 2414-*bis*, Paragraph 3, of the Italian Civil Code is not upheld by an Italian court and that therefore an Italian court may determine that the holders of

the Notes at the time of enforcement are not secured by the security under the Security Documents and/or that the *rappresentante* cannot exercise the rights and enforce the Collateral also in the name and on behalf of the holders of the Notes. In addition, the provisions and the subject matter of Paragraph 3 of Article 2414-*bis*, Paragraph 3, of the Italian Civil Code are untested by Italian Courts and, therefore, even if the appointment of the *rappresentante* is upheld by an Italian Court, it cannot be excluded that an Italian Court may take a different view and interpretation and determine that, where the Collateral is only granted in favor of the *rappresentante*, the holders of Notes at the time of enforcement are not secured by the Collateral and/or cannot enforce that Collateral.

Furthermore, to date, the Italian courts have not considered whether a common representative (*rappresentante comune*) of the holders of the Notes pursuant to Articles 2417 and 2418 of the Italian Civil Code may be validly appointed by means of a contractual arrangement (such as the Indenture) and the validity and enforceability of such appointment may not be upheld by a court. Moreover, it is uncertain and untested in the Italian courts whether, under Italian law, a security interest can be created and perfected: (i) in favor of creditors (such as the holders of the Notes) which are neither directly parties to the relevant security documents or are not specifically identified therein or in the relevant share certificates and corporate documents or public registries and (ii) in favor of a "trustee," since there is no established concept of "trust" or "trustee" under Italian law and the precise nature, effect and enforceability of the duties, rights and powers of a "trustee" as trustee under security interests granted over Italian assets is uncertain under Italian law.

Certain Considerations in Relation to Security Interests

Italian corporate law (Articles 2497-*quinquies* and 2467 of the Italian Civil Code) provides for rules to protect creditors against "undercapitalized companies" and provides for remedies in respect thereof. In this respect, in case of a loan to a company made by (i) a person that, directly or indirectly, directs the company or exercises management and coordination powers over that borrowing company or (ii) any entity subject to the management and coordination powers of the same person or (iii) a quotaholder in the case of a company incorporated in Italy as a *società a responsabilità limitata*, such loan will be subordinated to all other creditors of that borrower and rank senior only to the equity in that borrower if the loan is made when, taking into account the kind of business of the borrower, there was an excessive imbalance of the borrower's indebtedness compared to its net assets or the borrower was already in a financial situation requiring an injection of equity and not a loan ("undercapitalization"). Any payment made by the borrower with respect to any such loan within one year prior to a bankruptcy declaration would be required to be returned to the borrower. The above rules apply to shareholders' loans "made in any form" and scholars generally conclude that such provisions should be interpreted broadly and apply to any form of financial support provided to a company by its shareholders, either directly or indirectly.

As of the date hereof, there are several court precedents interpreting the provisions summarized above. Some of such precedents have held that Article 2467 of the Italian Civil Code also applies to companies incorporated as *società per azioni*, hence potentially to the borrowers under the intercompany loans that are incorporated as *società per azioni*.

Therefore, upon the occurrence of the requirements provided for by the relevant provisions, Italian courts may apply such provisions of the Italian Civil Code to the Issuer's relationship with Italian subsidiaries under the relevant intercompany loans. Accordingly, an Italian court may conclude that the obligations of any Italian subsidiary under any intercompany loan are subordinated to all its obligations towards other creditors. Should any of the obligations of any subsidiary under any intercompany loan or note be deemed subordinated to the obligations owed to other creditors by operation of law and senior only to the equity, the Issuer may not be able to recover any amounts under any intercompany loan or note granted to the Italian subsidiaries, which could have a material adverse effect on the Issuer's ability to meet its payment obligations under the Notes.

Moreover, in circumstances where any obligations of an Italian subsidiary under any intercompany loans or notes are subordinated by operation of law, the ability of the holders of the Notes to recover under any Collateral created over such intercompany loans or notes or any guarantees and/or security interests granted by such Italian subsidiaries (including the Notes Guarantee) may be impaired or restricted.

See "*Risk factors—Risks related to the Notes, the Notes Guarantee and the Collateral—The grant of the Guarantor Collateral is subject to the Italian Golden Power Clearance and the outcome of such process is uncertain*," "*Risk factors—Your rights in the Collateral securing the Notes may be adversely affected by the failure to perfect security interests in the Collateral*" and "*Risk factors—The recovery from the enforcement of the share pledges forming part of the Collateral may be complicated, involve long recovery times and a low recovery rate*."

Listing and general information

Admission to trading and listing

Application has been made for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange, in accordance with the rules and regulations of the Luxembourg Stock Exchange.

Luxembourg listing information

For so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange and the rules and regulations of the Luxembourg Stock Exchange so require, copies of the following documents in English may be inspected and obtained free of charge at the offices of the Paying Agent during normal business hours on any weekday (excluding holidays):

- the organizational documents of the Issuer and the documents of incorporation of the Guarantor;
- the bylaws of each of the Issuer and Guarantor;
- the financial statements included in this Offering Memorandum;
- any annual and interim financial statements or accounts of the Issuer dated subsequent to the date of this Offering Memorandum, to the extent available;
- the Indenture;
- the Security Documents; and
- the Intercreditor Agreement.

It is expected that the approval (visa) in connection with the listing of the Notes on the Official List of the Luxembourg Stock Exchange and the admission of the Notes to trading on the Euro MTF Market will be granted by the Luxembourg Stock Exchange promptly after the issuance of the Notes.

The Issuer has appointed The Bank of New York Mellon SA/NV, Luxembourg Branch as Registrar, and The Bank of New York Mellon, London Branch as Paying Agent and Transfer Agent and UniCredit S.p.A. as Security Agent. The Issuer reserves the right to vary such appointments in accordance with the terms of the Indenture and, if so required by the internal rules and regulations of the Luxembourg Stock Exchange, will publish a notice of such change of appointment on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*) or by any other means permitted by the rules and regulations of the Luxembourg Stock Exchange.

The Issuer accepts responsibility for the information contained in this Offering Memorandum. To the Issuer's best knowledge, except as otherwise noted, the information contained in this Offering Memorandum is in accordance with the facts and does not omit anything likely to affect the import of this Offering Memorandum. This Offering Memorandum may only be used for the purposes for which it has been published.

Clearing information

The Notes sold pursuant to Regulation S and the Notes sold pursuant to Rule 144A in this Offering have been accepted for clearance through the facilities of Euroclear and Clearstream. The Notes sold under Regulation S have been accepted under common code 229191128 and ISIN XS2291911282, respectively. The Notes sold under Rule 144A have been accepted under common code 229191187 and ISIN XS2291911878, respectively.

Issuer and Guarantor legal information

Rekeep S.p.A.

The Issuer was formed as a private joint stock company (*società per azioni*) under the laws of Italy on December 1, 2003 with a duration until December 31, 2050, subject to certain amendments being made to its by-laws to extend the period of its incorporation. The Issuer's registered offices are located at Via Ubaldo Poli, 4, 40069 Zola Predosa (BO), Italy and it is registered under number 02402671206 and economic administrative register number (*repertorio economico amministrativo*) 436919 with the Register of Companies of Bologna (*Registro delle Imprese di Bologna*). As of the date of this Offering Memorandum, the Issuer has a share capital of €109,149,600.00 divided into 109,149,600 ordinary shares with a par value of €1.00 each with equal voting and economic rights.

Pursuant to article 4 of its articles of incorporation (*statuto*), the corporate purposes of the Issuer are to, *inter alia*: provide and manage services related to the built environment for public and private sector customers through tenders or contract, primarily related to real estate assets; provide laundry and sanitation services and environmental management to hospital facilities; provide, directly or indirectly through companies in which it holds equity interests, a variety of facility management, maintenance, HVAC, energy consulting, installation and restoration services.

Servizi Ospedalieri S.p.A.

Servizi Ospedalieri is a direct wholly-owned subsidiary of the Issuer organized as a joint stock company (*società per azioni con socio unico*) under the laws of the Republic of Italy. It is registered with the Commercial Registry of Ferrara (*Registro delle Imprese di Ferrara*) under the number 00615530672 with registered address at Via Calvino, 33, 41122 Ferrara, Italy. Servizi Ospedalieri's incorporation will terminate on December 31, 2050, subject to certain amendments being made to its by-laws to extend the period of its incorporation.

Pursuant to Article 3 of its bylaws (*statuto*), Servizi Ospedalieri's corporate purpose is to, *inter alia*: provide products and services and maintenance for public administration and private sector facilities in Italy or abroad, through any form of concession or public tender; perform laundering and industrial sterilization, clothes washing and dry cleaning activities of mattresses, linens, instruments, uniforms and other items on its own account and for third parties, perform cleaning, disinfection, sterilization and maintenance of surgical instruments, install, maintain and service laundering and sterilization equipment, sell sanitary linens and surgical fabrics and other related equipment and provide training and consultancy services related to the foregoing activities. As of the date of this Offering Memorandum, Servizi Ospedalieri had a fully paid-up share capital of €20,000,000.00, consisting of 4,000,000 ordinary shares with a par value of €5.00, all of which have been fully paid up and are held by the Issuer.

Resolutions, Authorizations and Approvals

The Issuer has obtained or will obtain all necessary consents, approvals and authorizations (if any) in connection with the issuance of the Notes.

The Notes Guarantee will be authorized by Servizi Ospedalieri's Board of Directors on or prior to the date on which the Notes Guarantee is granted.

General

Except as disclosed in this Offering Memorandum:

- there has been no material adverse change in the Issuer's financial position since September 30, 2020; and
- neither the Issuer, the Guarantor nor any of their subsidiaries has been involved in any litigation, administrative proceeding or arbitration relating to claims or amounts which are material in the context of the issuance of the Notes except as otherwise disclosed in this Offering Memorandum, and, so far as the Issuer is aware, no such litigation, administrative proceeding or arbitration is pending or threatened.

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Interim report on operations at 30 September 2020

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMEBER 2020

(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**

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMEBER 2020

(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**

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

(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

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

(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
Minority shareholders		1,191	(20)

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

(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)
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

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

	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 CONSOLIDATED FINANCIAL STATEMENTS CONDENSED EXPLANATORY NOTES FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

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

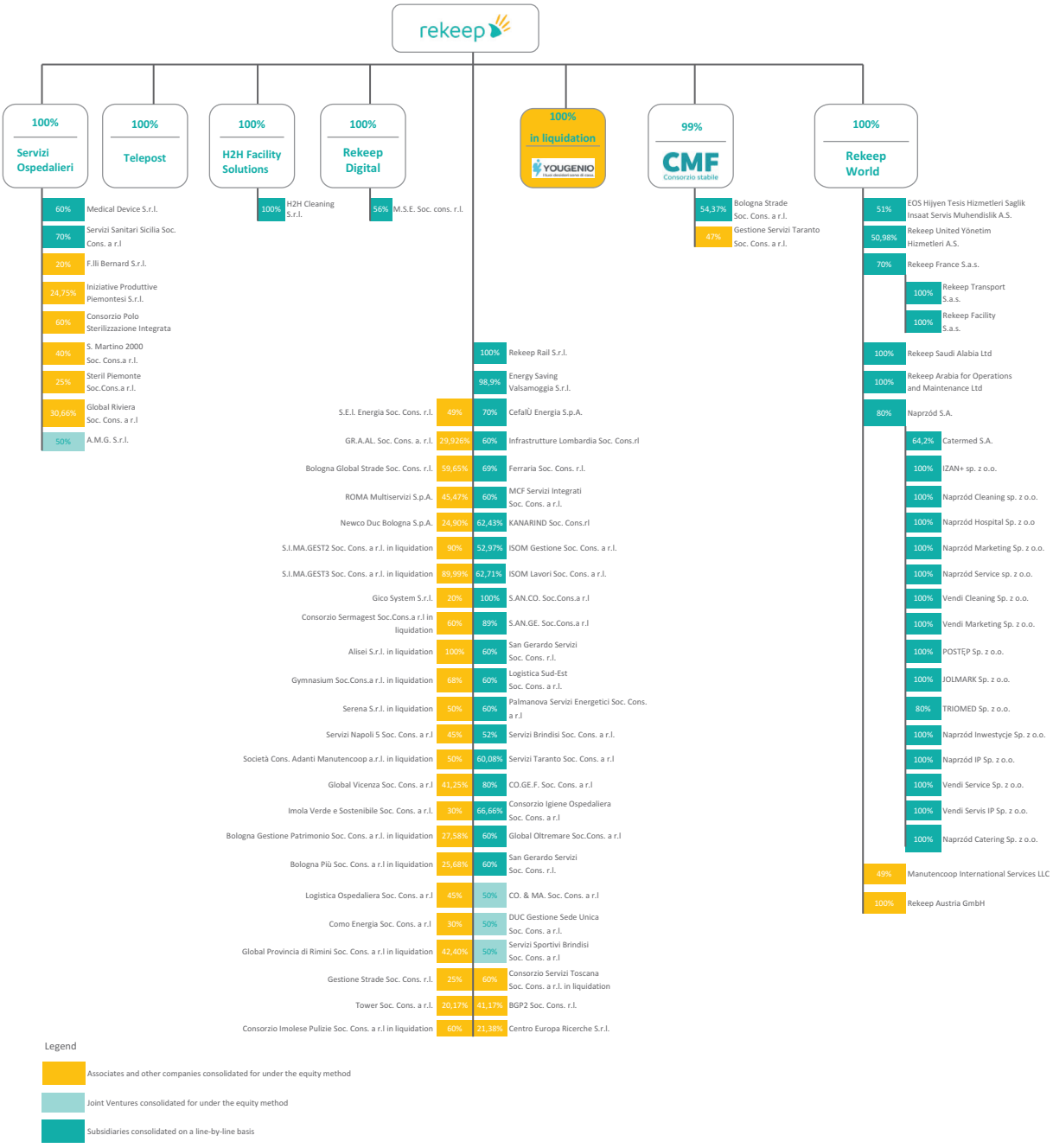
The financial statements have been presented in Euro, which is the functional and reporting currency adopted by the Group. The income statements and balance sheets expressed in foreign currency are converted into Euros applying the year-end exchange rates for the items in the Statement of financial position 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 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 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

(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
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)
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 acquirer'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		
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 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	
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

	30 September 2020	of which from related parties	31 December 2019	of which from related parties
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	
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**
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 an 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
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**
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
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 2020				**(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
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

Name	Registered Office	City	% Held	Currency
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
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: Financial effects	Dividends	Revaluations Write-downs	Provision for risks	Effects on shareholders' equity	Net assets 30 September 2020	Book value	Provision for risks
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	
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)
MCF Servizi integrati Soc. Cons. a r. l. in liquidation	60%	0	6		0			6	6	

	%	Net assets 31 December 2019	Changes for the financial year: Financial effects	Dividends	Revaluations Write-downs	Provision for risks	Effects on shareholders' equity	Net assets 30 September 2020	Book value	Provision for risks
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	
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	
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	

		Revenues	Costs	Financial income	Financial charges		Trade receivables	Financial receivables and others	Trade payables	Financial payables and others
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 Vicenza Soc.Cons. a r.l.	30-Sep-19		(6)			31-Dec-19		10	14	
	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	
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)
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)*	

	For The 9 months ended 30 September			
		2020		2019
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*	
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**

Consolidated financial statements at 31 December 2019

CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2019

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

CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2019

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

CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2019

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

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

CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2019

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

CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

(in thousands of Euro)	Notes	For the year ended 31 December 2019	31 December 2018
Net profit (loss) from continuing operations for the year		**3,350**	**15,843**
Income taxes for the year		14,956	8,426
Profit/(loss) before taxes		**18,306**	**24,269**
Amortization, depreciation, write-downs and (write-backs) of assets		37,789	31,121
Accrual (reversal) of provisions for risks and charges		4,270	2,584
Employee termination indemnity provision		1,086	1,073
Payments of employee termination indemnity		(2,119)	(1,875)
Utilization of provisions for risks and charges		(4,139)	(5,305)
Share of net profit of associates, net of dividends collected		290	2,841
Financial charges (income) for the year		41,428	32,103
Operating cash flows before movements in working capital		**96,911**	**86,812**
Decrease (increase) of inventories		(1,453)	(281)
Decrease (increase) of trade receivables		5,978	11,289
Decrease (increase) of other current assets		(6,962)	8,413
Increase (decrease) of trade payables		109	3,957
Increase (decrease) of other current liabilities		2,894	(5,984)
Change in Working Capital		**565**	**17,395**
Net interest received (paid) in the year		(33,904)	(25,823)
Income tax paid in the year		(6,715)	(11,808)
Net cash flow from operating activities		**56,857**	**66,575**
(Purchase of intangible assets, net of sales)	8	(7,681)	(7,947)
(Purchase of property, plant and equipment)	6-7	(25,020)	(24,040)
Proceeds from sales of property, plant and equipment	6-7	63	457
(Acquisition of investments)		8,700	11,041
Decrease (increase) of financial assets		2,114	460
Financial effects of business combinations	4	(10,813)	(1,529)
Assets held for sale and discontinued operations	5	(2,941)	220
Net cash flow used in investing activities		**(35,578)**	**(21,339)**
Change in finance lease debt	19	(1,143)	(445)
New (repayment of) operating leases	19	(6,993)	0
Proceeds from non-current borrowings	19	0	6,676
Repayment of non-current borrowings	19	(12,199)	0
Proceeds from/(repayment of) short term bank debt	19	(4,574)	(86)
Proceeds from non-current borrowings	19	6,350	(14,391)
Dividends paid		0	(70)
(Acquisition)/sale of minority interests in subsidiaries		(230)	(1,500)
Differences from financial statements translation in foreign currency		(28)	(126)
Net cash flow from / (used in) financing activities		**(18,816)**	**(9,942)**
Changes in cash and cash equivalents		**2,463**	**35,295**
Cash and cash equivalents at the beginning of the year		94,733	59,870
Changes in cash and cash equivalents		2,463	35,295
Translation differences on cash and cash equivalents		(53)	(432)
Cash and cash equivalents at the end of the year		**97,143**	**94,733**
Details of cash and cash equivalents:			
Cash and bank current accounts		97,143	94,733
TOTAL CASH AND CASH EQUIVALENTS		**97,143**	**94,733**

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

CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2019

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

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

CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
AT 31 DECEMBER 2019

	Share Capital	Reserves	Retained earnings	Result for the year	Total Shareholders' equity attributable to equity holders of the parent	Equity attributable to non-controlling interests	Total Shareholders' equity
1 January 2018	**109,150**	**144,854**	**43,755**	**642**	**298,401**	**381**	**298,782**
Allocation of previous year result		8,483	(7,841)	(642)	0		0
Dividend distribution					0	(70)	(70)
Increase in Capital Reserves		49,700			49,700		49,700
Business combinations "under common control"		(198,261)			(198,261)		(198,261)
Acquisition/sale of minority interests in subsidiaries			(1,003)		(1,003)	496	(506)
Total comprehensive income for the year		253		15,734	15,987	(139)	15,848
31 December 2018	**109,150**	**5,029**	**34,911**	**15,734**	**164,824**	**668**	**165,492**

CONSOLIDATED FINANCIAL STATEMENTS
EXPLANATORY NOTES
AT 31 DECEMBER 2019

1. General information

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

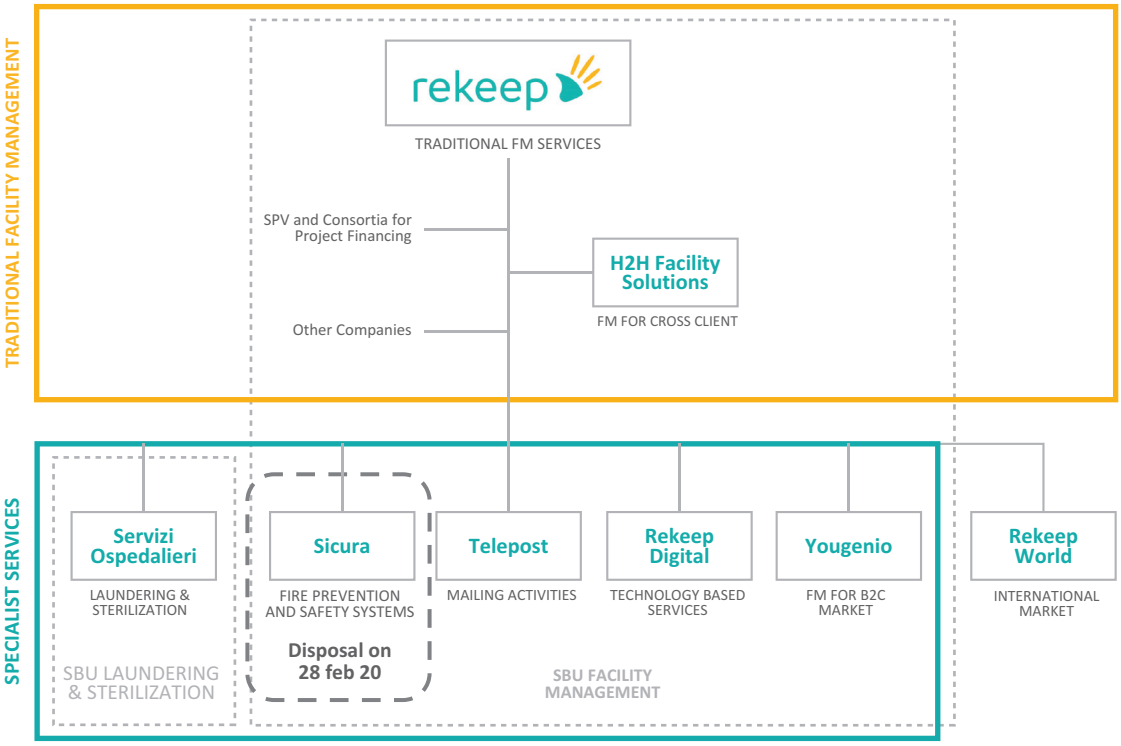
As at 31 December 2019 the share capital of Parent Company Rekeep S.p.A. was wholly held by the sole shareholder Manutencoop Società Cooperativa, which carries out Management and Coordination Activities.

1.1 The business

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

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

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



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

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

- Cleaning;
- Technical Services;
- Landscaping.

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

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

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

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

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

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

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

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

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

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

2. Accounting standards and basis of presentation

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

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

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

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

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

2.1 Statement of compliance with international accounting standards (IFRS)

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

2.2 Changes in accounting standards and disclosures

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

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

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

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

- *IFRS16—Leases*. The scope of application of the new standard includes all lease agreements. A lease is an agreement that grants the right to use an asset ("the underlying asset") for a certain period of time against the payment of a consideration. The method to account for all leases is based on the model provided for in IAS 17, while excluding any lease that involves goods of little value (e.g.: computers) and short-term contracts (e.g.: with a term of less than 12 months). A Therefore, a liability must be recognized as at the date on which the lease is entered into for the rentals to be paid and the asset in relation to which the entity has a right to use, accounting for financial charges and the asset's amortization/depreciation separately. In fact, as regards the lessor, the accounting method is substantially unchanged with respect to the provisions laid down under the current IAS17. For the effects of the adoption of this standard, reference should be made to note 3 below.
- *IFRIC 23—Uncertainty over Income Tax treatments.* The interpretation clarifies the accounting for uncertainties in income taxes in the application of recognition and measurement requirements in IAS 12—"Income taxes". The interpretation specifically concerns: (i) whether an entity considers uncertain tax treatments separately, (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities, (iii) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates and (iv) how an entity considers changes in facts and circumstances. The interpretation does not add new disclosure requirements: however, it deals with the requirements laid down in IAS 1 relating to disclosures on judgments, information on the assumptions made and other estimates and information on contingent tax items under IAS 12 "Income taxes". An entity may elect to apply the interpretation either (i) retrospectively using IAS 8 "*Accounting Policies, Changes in Accounting Estimates and Errors*", if that is possible; or (2) retrospectively, with the cumulative effect of initially applying the Interpretation recognized at the date of initial application as an adjustment to equity and without any restatement of comparative information. An entity must determine whether it considers each uncertain tax treatment independently or together with other (one or more) uncertain tax treatments. The decision should be based on which approach provides better predictions of the resolution of the uncertainty. Group companies apply significant judgment in identifying uncertainties in the tax treatment of income taxes. The date of initial application is the beginning of the annual reporting period in which an entity applies this interpretation for the first time. Upon first-time

adoption of the interpretation there was no significant impact from the application of the new standard on the Consolidated Financial Statements.

- *Amendments to IFRS9—Prepayment Features with Negative Compensation*. The amendments to IAS 19 lay down the accounting rules in the event that an amendment, curtailment or settlement of the plan occurs during the reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the period, an entity is required to determine the cost of servicing for the remainder of the period after the plan amendment, curtailment or settlement, using the relevant actuarial assumptions to remeasure the net defined-benefit liability (asset) so that it reflects the plan benefits and plan assets after that event. An entity is also required to determine the net interest for the period remaining after the plan amendment, curtailment or settlement: the net defined-benefit liability (asset) that reflects the plan benefits and plan assets after that event; and the discount rate used to reset the net defined-benefit liability (asset). The adoption of the new standard did not entail any significant impact on the consolidated financial statements.
- *Amendments to IAS28—Long-term interests in associates and joint ventures*. It clarifies how entities must use IFRS 9 to recognize long-term interests in associates or joint ventures, for which the equity method is not applied. The adoption of the new standard did not entail any significant impact on the consolidated financial statements.
- *Amendments to IAS19—Plan Amendment, Curtailment or Settlement*. It specifies how the entities must determine pension expenses when changes to a certain pension plan occur. IAS 19 "Employee Benefits" specifies how an entity accounts for a defined-benefit plan. When a plan amendment, adjustment, curtailment or settlement occurs, IAS 19 requires entities to remeasure the net defined-benefit asset or liability. The adoption of the new standard did not entail any significant impact on the consolidated financial statements.

Improvements to IFRS

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

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

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

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

2.3 Discretionary assessments and significant accounting assumptions

The preparation of the consolidated Financial Statements requires directors to make discretionary assessments, estimates and assumptions that affect the amounts of revenues, costs, assets and

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

Discretionary assessments

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

Uncertainty of estimates

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

Impairment test

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

Provisions for risks and charges and Allowance for doubtful accounts

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

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

The Group held majority interests in subsidiaries in past years in relation to which the minority shareholders held PUT options, which can be exercised in the future at prices determined on the basis of certain parameters that require estimates from management for the purposes of reliable valuation. In this case, the correct recognition in the financial statements of the related liability requires management to make some estimates to determine the expected relevant parameters.

Recognition of revenues and costs from contracts with customers

The Group uses the percentage of completion method to account for activities on long-term contracts for the building and improvement of properties or technological plants for which it does construction work. The margins recognized in profit and loss depend both on the progress of the works and the margins on the entire work when completed; therefore if work in progress and margins on work not yet completed are to be recognized correctly, the Directors must make correct estimates of the costs of completion, possible increases in cost, delays, extra costs and penalties which could reduce the expected margin. The use of the percentage of completion

method requires the Group to estimate the costs of completion, which entails the adoption of assumptions depending on factors which could change in time and could therefore have a substantial impact on current estimates. Should actual costs be different from estimated costs, this change will impact on the results for future periods.

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

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

Consolidation principles

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

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

Subsidiaries are consolidated on a line-by-line basis starting from the acquisition date, i.e. the date on which the Group acquires control, and are deconsolidated on the date in which control is transferred out of the Group. Acquisitions of subsidiaries, with the exception of those deriving from combinations of entities subject to joint control, are accounted for using the purchase method.

This involves the allocation of the cost of the business combination to the fair values of assets, liabilities and contingent liabilities acquired at the acquisition date and the inclusion of the result of the acquiree starting from the date of acquisition until the end of the fiscal year.

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

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

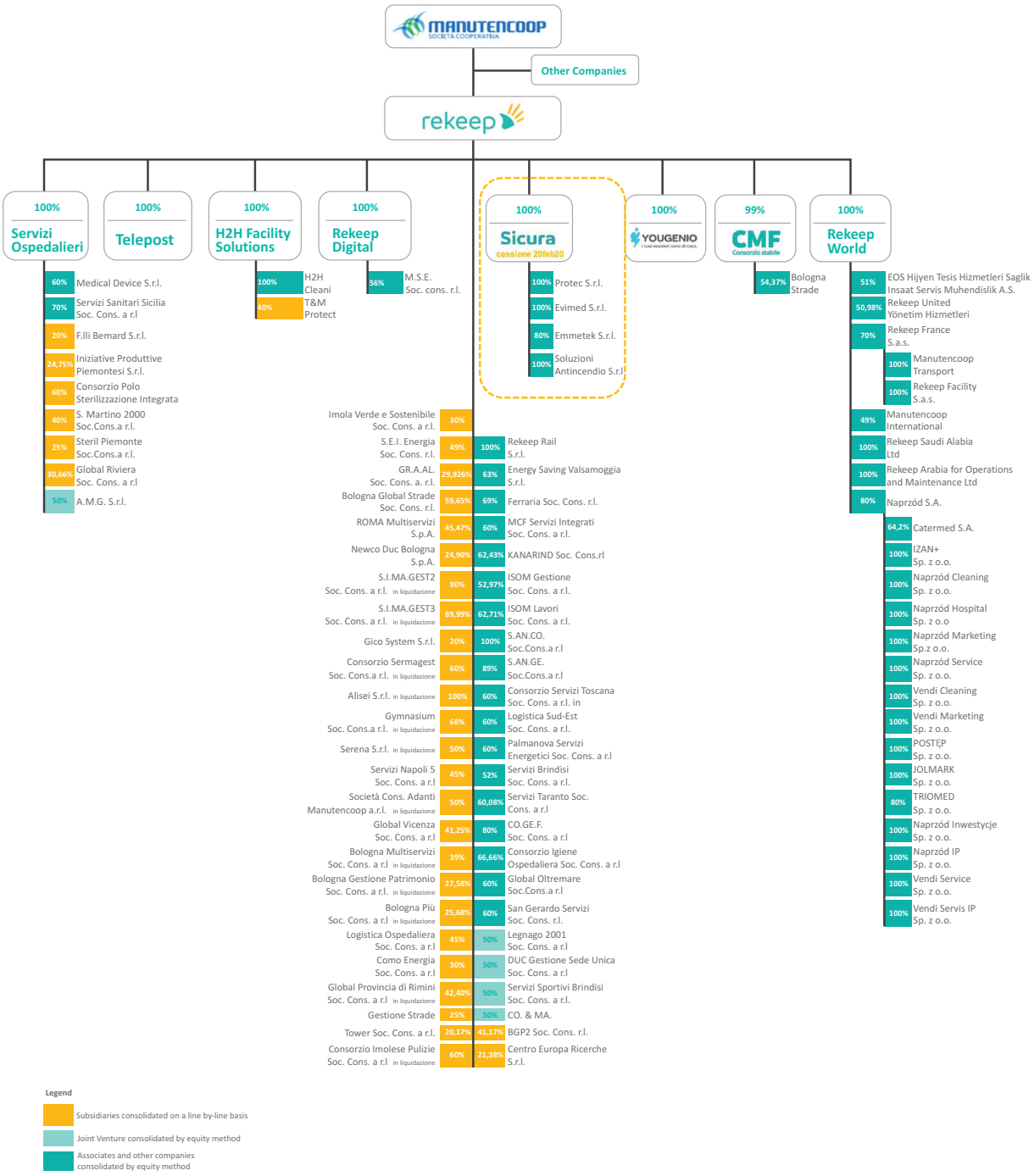
Conversion of financial statements of foreign companies
The financial statements are presented in Euro, the Group's functional currency. Statements of financial position and income statements stated in foreign currency are converted to Euro using the year-end exchange rates for the items of the Statement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

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

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

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

Scope of consolidation at 31 December 2019 is shown below.



During the 2019 financial year note the following events:

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

Furthermore, note the following events:

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

2.4 Summary of the main accounting policies

Property, plant and equipment

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

Depreciation is calculated on a straight line basis in line with the estimated useful life of the asset, starting from the date the asset becomes available for use, until the date it is sold or disposed of. The carrying amount of property, plant and equipment is subject to impairment test when events or changes suggest that the carrying amount may not be recoverable. A tangible asset is derecognized from the financial statements at the moment of sale or when no future economic benefits are expected from its use or disposal. Any profits or losses (calculated as the difference between net proceeds from the sale and the carrying amount) are recognized in the income statement in the year of the aforementioned derecognition. The residual value of the asset, useful life and method applied are reviewed annually and adjusted, if necessary, at the end of each financial year.

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

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

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

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

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

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

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

Business combinations

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

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

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

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

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

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

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

Goodwill

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

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

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

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

Other intangible assets

Intangible assets acquired separately are initially capitalised at cost, while those acquired through business combinations of companies not subject to joint control are capitalised at fair

value on the date of acquisition. After initial recognition, intangible assets are recorded at cost net of amortization and accumulated impairment losses.

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

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

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

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

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

Equity investments in joint ventures and associates

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

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

Impairment of assets

At the reporting date of the financial statements, the Group assesses whether there is any evidence of impairment of assets. In this case, or in the event an annual impairment test is required, the Group prepares an estimate of the recoverable value. The recoverable value is the higher of the fair value of an asset or cash-generating unit, net of selling costs and its value in use and is determined for each individual asset, except when said asset does not generate cash flows that are largely independent from those generated by other assets or groups of assets. If the carrying amount of an asset is higher than its recoverable value, said asset has been impaired and is subsequently written down to its recoverable value. In calculating the value in use, the Group discounts estimated future cash flows at the present value by using a pre-tax discount rate which reflects the market valuations on the time value of money and the specific risks of the asset. Impairment losses of operating assets are recognized in the income statement under 'amortization, depreciation, write-downs and write-backs of assets'.

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

Financial assets

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

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

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

The accounting policies applied by the Group are the following:

Financial asset at amortized cost

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

Financial assets at fair value through OCI

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

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

Inventories

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

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

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

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

Trade receivables and other receivables

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

Contractual activities on plant construction orders

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

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

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

Cash and cash equivalents

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

Loans

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

Derecognition of financial assets and liabilities

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

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

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

Impairment of financial assets

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

Assets valued according to the amortized cost criterion

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

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

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

Assets recognized at cost

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

Financial assets at fair value through OCI

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

Provisions for risks and charges

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

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

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

Provision for employee termination benefits

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

Employee benefits

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

The IFRIC issued by the IASB tackled the issue of Italian ESI and concluded that, in application of IAS 19, it falls within the scope of "defined benefit" plans, as regards post-employment benefits and, as such, must be calculated using the Projected Unit Credit Method (PUCM), in which the

amount of liabilities in the form of acquired benefits must reflect the expected date of termination and must be discounted.

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

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

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

The Group has no other significant defined benefit pension plans.

Leases

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

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

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

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

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

Revenue recognition

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

Provisions of services

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

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

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

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

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

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

Plant construction activities

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

Sales of assets

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

Interest

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

Dividends

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

Government grants

Government grants are recognized when it is reasonably certain they will be received and all inherent conditions are met. When grants are related to cost components, they are recognized as

revenues, but are systematically split over the financial years so they are commensurate with the costs they intend to compensate. In the event the grant is related to an asset, the fair value is deducted from the carrying amount of the asset to which it is related and the release to the income statement occurs progressively over the expected useful life of the asset on a straight line basis, through the systematic reduction of the associated amortization charges.

Income taxes

Current taxes

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

Deferred taxes

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

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

- when deferred tax liabilities arise from the initial recognition of goodwill or of an asset or liability in a transaction which is not a business combination and which, at the time of the transaction, does not have any effect on the profit for the year calculated for financial statement purposes or the profit or loss calculated for tax purposes;
- with reference to taxable temporary differences associated with equity investments in subsidiaries, associates and joint ventures, in the event in which the reversal of the temporary differences can be controlled and is not likely to occur in the foreseeable future.

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

- deferred tax assets connected to deductible temporary differences arise from the initial recognition of an asset or liability in a transaction which is not a business combination and which, at the time of the transaction, does not have any effect on the profit for the year calculated for financial statement purposes or the profit or loss calculated for tax purposes;
- with reference to taxable temporary differences associated with equity investments in subsidiaries, associates and joint ventures, deferred tax assets are recognized only to the extent in which it is likely that the deductible temporary differences will be reversed in the immediate future and that sufficient tax profits will be generated against which the temporary differences can be used.

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

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

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

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

VAT

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

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

Service concession arrangements

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

The concessionary company shall not carry infrastructure under tangible assets as it does not hold "control", as set forth in IFRIC 12. The asset to be recognized is the right to use the infrastructure for providing the service, to be classified as a financial asset in the presence of an unconditional right to receive future compensation regardless of actual use of the infrastructure and as an intangible asset in the presence of a right to exploit the infrastructure itself in financial terms, charging users based on use of the service received. Provision is also made for a "mixed" accounting model if the concessionary company is the holder of both a financial asset and an intangible right, where it is necessary to separate the component of remuneration as provided for under the agreement relating to the financial asset, determining the amount of the intangible asset as a secondary activity (with respect to the value of the construction services provided).

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

Earnings per share

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

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

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

Operating segments

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

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

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

Methods of calculation of costs allocated to segments

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

Methods of calculation of assets and liabilities allocated to segments

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

Changes in accounting estimates and errors

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

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

Restatement is not applied and errors are recognized prospectively if the errors and omissions are considered immaterial. Omissions or misstatements of items are material if they could,

individually or collectively, influence the economic decisions that the users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances.

3. Effects of changes in accounting standards

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

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

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

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

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

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

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

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

	Property leases	Corporate fleet vehicles	Equipment
Useful life	Definite		
Amortization of Right of Use	Amortization on a straight-line basis over the shorter period of: • legal term of the right of use • expected period of use		
Financial amortization	In fixed instalments and decreasing capital quota		
Marginal discount rate	Between 4.90% and 5.00%	Between 3.00% and 5.00%	Between 3.00% and 4.00%

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

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

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

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

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

	31 December 2018	Effects of adoption of IFRS 16	1 January 2019
Assets			
Non-current assets			
Property, plant and equipments	67,991		67,991
Property, plant and equipments under lease	5,984	45,436	51,420
Goodwill	407,622		407,622
Other intangible assets	25,634		25,634
Investments accounted for under the equity method	19,207		19,207
Other investments	4,905		4,905
Non-current financial assets	5,662		5,662
Other non-current assets	2,897		2,897
Deferred tax assets	15,017	887	15,904
Total non-current assets	**554,919**	**46,323**	**601,242**
Current assets			
Inventories	7,421		7,421
Trade receivables and advances to suppliers	417,930		417,930
Current tax receivables	14,658		14,658
Other current assets	22,320		22,320
Current financial assets	5,532		5,532
Cash and cash equivalents	94,733		94,733
Total current assets	**562,594**	**0**	**562,594**
Assets held for sale	0		0
Total non-current assets held for sale	**0**	**0**	**0**
TOTAL ASSETS	**1,117,513**	**46,323**	**1,163,836**

	31 December 2018	Effects of adoption of IFRS 16	1 January 2019
Shareholders' equity			
Share capital	109,150		109,150
Reserves	5,029	(1,617)	3,412
Retained earnings	34,911	(657)	34,254
Profit/(loss) for the year attributable to equity holders of the Parent	15,734		15,734
Equity attributable to Equity Holders of the Parent	**164,824**	**(2,273)**	**162,551**
Capital and reserves attributable to non-controlling interests	559	(8)	551
Profit/(loss) for the year attributable to non- controlling interests	109		109
Equity attributable to non-controlling interests	**668**	**(8)**	**660**
TOTAL SHAREHOLDERS' EQUITY	**165,492**	**(2,281)**	**163,211**
Non-current liabilities			
Employee termination indemnity	14,730		14,730
Provisions for risks and charges, non-current	25,189		25,189
Long-term financial debt	361,687	41,602	403,289
Deferred tax liabilities	14,525	2	14,527
Other non-current liabilities	660		660
Total non-current liabilities	**416,791**	**41,604**	**458,395**
Current liabilities			
Provisions for risks and charges, current	6,948		6,948
Trade payables and contract liabilities	399,602		399,602
Current tax payables	954		954
Other current liabilities	90,360		90,360
Bank borrowings, including current portion of long-term debt, and other financial liabilities	37,366	7,000	44,366
Total current liabilities	**535,230**	**7,000**	**542,230**
Liabilities directly associated with assets held for sale	0		0
Liabilities directly associated with assets held for sale	**0**		**0**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**1,117,513**	**46,323**	**1,163,836**

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

	31 December 2018	Effects of adoption of IFRS 16	31 December 2018 restated for the effects of IFRS 16
Revenue			
Revenue from contracts with customers	943,740		943,740
Other revenue	6,142		6,142
Total revenue	**949,882**		**949,882**
Operating costs			
Costs of raw materials and consumables	(140,144)		(140,144)
Change in inventories of finished and semi-finished products	43		43
Costs for services and use of third-party assets	(325,258)	9,717	(315,541)
Personnel costs	(392,548)		(392,548)
Other operating costs	(6,660)		(6,660)
Lower costs for internal work capitalised	4,140		4,140
Amortization, depreciation, write-downs and write- backs of assets	(31,122)	(7,958)	(39,080)
Accrual (reversal) to provisions for risks and charges	(2,584)		(2,584)
Total operating costs	**(894,133)**	**1,759**	**(892,374)**
Operating income	**55,749**	**1,759**	**57,508**
Financial income and expenses			
Share of net profit of associates	1,466		1,466
Dividend and net income/(loss) from sale of investments	(843)		(843)
Financial income	1,597		1,597
Financial expenses	(33,544)	(2,294)	(35,838)
Gains / (losses) on exchange rate	(156)		(156)
Profit/(loss) before taxes from continuing operations	**24,269**	**(535)**	**23,734**
Income taxes	(8,426)	149	(8,277)
Profit/(loss) from continuing operations	**15,843**	**(386)**	**15,457**
Profit (loss) from discontinued operations	0		0
Net profit (loss) for the year	**15,843**	**(386)**	**15,457**
Net profit (loss) attributable to non- controlling interests	(109)	1	(108)
Net profit (loss) for the year	**15,734**	**(385)**	**15,349**

4. Business combinations

4.1. Acquisition of a majority stake in Naprzód SA

On 25 September 2019 Rekeep S.p.A. signed an investment agreement for the acquisition of 80% of the share capital of the Polish company Naprzód S.A., the parent company of the Polish group with the same name, which mainly operates in the healthcare sector where it provides facility management services (in particular cleaning and disinfection, including specialist hospital services

for the maintenance of areas and medical tools, and assistance to the patient in the arrangement of beds, as well as in transport, operations and medical procedures), catering and medical transportation services, including outsourcing services, ambulance hire, security in mass events and the transport of disabled people.

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

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

Accounting effects of the acquisition

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Accounting effects of the acquisition

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

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

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

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

4.3. Acquisition of a majority quota in Emmetek

On 3 July 2019 the Group acquired, through its subsidiary Sicura S.p.A., a stake of 80% in the quota capital of Emmetek S.r.l., a company specialising in the design, prefabrication and installation of pumping stations, water reserves for fire-fighting purposes, hydrant networks and extinguishing systems. The newly-acquired company holds, in turn, a total quota in Soluzioni Antincendio S.r.l., which operates in routine and non-routine maintenance of extinguishing systems with various types of extinguisher and pump units. The transaction was completed by paying an overall consideration of € 5.6 million and upon the execution of a quotaholders' agreement, including put and call options on the remaining 20% of the capital, which may not be exercised before the approval of the acquiree's financial statements at 31 December 2021 and, in any case, not beyond 31 December 2022. The acquisition is part of the growth and development strategy of the Rekeep Group through the entry into specialist sectors contiguous to the core business.

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

Accounting effects of the acquisition

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

Furthermore, since the agreements signed between the counterparties provide for the mutual release of a Put option and a Call option for the transfer of the remaining capital quotas, which may be exercised for a 2-year period from 30 June 2021. In applying IFRS9, the Put option

granted to the minority quotaholder was measured at its fair value at maturity, as discounted back at a fair rate (€ 1,262 thousand), at the date of acquisition.

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

	Recognized value	Book value
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipments	35	35
Property, plant and equipments under lease	24	0
Other non-current assets	2	2
Deferred tax assets	3	3
TOTAL NON-CURRENT ASSETS	**64**	**64**
CURRENT ASSETS		
Inventories	156	156
Trade receivables and advances to suppliers	878	878
Other current assets	157	157
Current financial assets	0	350
Cash and cash equivalents	1,399	1,049
TOTAL CURRENT ASSETS	**2,589**	**2,589**
TOTAL ASSETS	**2,653**	**2,653**
LIABILITIES		
NON-CURRENT LIABILITIES		
Provisions for employee termination indemnity	(1)	(1)
Long-term financial debts	18	18
Deferred tax liabilities	10	10
TOTAL NON-CURRENT LIABILITIES	**27**	**27**
CURRENT LIABILITIES		
Short-term loans	8	3
Trade payables and contract liabilities	343	343
Current tax payables	125	125
Other current liabilities	93	93
TOTAL CURRENT LIABILITIES	**569**	**564**
TOTAL LIABILITIES	**596**	**596**
FAIR VALUE OF NET ASSETS	**2,056**	**2,056**
GOODWILL ARISING FROM THE BUSINESS COMBINATION	**4,793**	
Total cost of the business combination:		
Consideration paid to the transferor at the closing date	3,377	
Deferred consideration	2,210	
Fair value of the options on minority interests	1,262	
TOTAL COST OF THE BUSINESS COMBINATION	**6,849**	
Net cash used in the acquisition:		
Cash and cash equivalents of the acquired company	1,399	
Consideration paid to the transferor	(3,377)	
Additional costs for the acquisition	(45)	
NET CASH USED IN THE ACQUISITION	**(2,023)**	

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

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

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

5. Non-current assets held for sale and liabilities directly associated with assets held for sale

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

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

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

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

The items described above are reported below in detail.

Non-current assets held for sale

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

	31 December 2019
Property, plant and equipments	757
Property, plant and equipments under lease	22
Investment property	4,889
Goodwill	42,588
Other intangible assets	522
Equity investments	9
Non-current financial assets	140
Deferred tax assets	685
Trade receivables and advances to suppliers	17,116
Current tax receivables	392
Other current assets	395
Cash and cash equivalents	2,986
TOTAL NON-CURRENT ASSETS HELD FOR SALE	**70,500**

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

Liabilities directly associated with non-current assets held for sale

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

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

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

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

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

6. Property, plant and equipment

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

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

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

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

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

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

	Property	Plant and equipment	Total
At 1 January 2018, net of accumulated depreciation and impairment	**13,428**	**52,136**	**65,564**
Additions from business combinations		1,636	1,636
Additions from acquisitions	54	23,917	23,971
Disposals	(248)	(209)	(457)
Depreciation for the year	(341)	(19,613)	(19,954)
Others	3	(2,774)	(2,771)
At 31 December 2018	**12,896**	**55,093**	**67,989**
At 1 January 2018			
Historical cost	16,076	354,888	370,964
Accumulated depreciation and impairment losses	(2,648)	(302,752)	(305,400)
NET BOOK VALUE	**13,428**	**52,136**	**65,564**
At 31 December 2018			
Historical cost	15,885	377,458	393,343
Accumulated depreciation and impairment losses	(2,989)	(322,365)	(325,354)
NET BOOK VALUE	**12,896**	**55,093**	**67,991**

7. Property, plant and equipment under lease

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

	Property under finance lease	Plant and equipment under finance lease	Rights of use of property	Rights of use of plant and machinery	Total
At 1 January 2019, net of accumulated depreciation and impairment	**4,584**	**1,400**	**0**	**0**	**5,984**
Effects of changes in accounting standards, net of accumulated depreciation			37,070	8,366	45,436
Additions from business combinations		3,496		163	3,659
Additions from new contracts and rental adjustments		566	3,127	3,366	7,059
Impairment losses		(54)			(54)
Early termination			(264)	(251)	(515)
Depreciation for the year	(134)	(316)	(4,324)	(3,686)	(8,460)
Others		(1,054)		2	(1,052)
IFRS5 Reclassification		(22)	(4,053)	(836)	(4,911)
At 31 December 2019	**4,450**	**4,016**	**31,556**	**7,124**	**47,146**
At 1 January 2019					
Historical cost	4,992	5,163	52,803	24,996	87,955
Accumulated depreciation and impairment losses	(408)	(3,763)	(15,733)	(16,630)	(36,535)
NET BOOK VALUE	**4,584**	**1,400**	**37,070**	**8,366**	**51,420**
At 31 December 2019					
Historical cost	4,992	8,171	55,666	28,276	97,105
Accumulated depreciation and impairment losses	(542)	(4,133)	(20,057)	(20,316)	(45,048)
IFRS5 Reclassification		(22)	(4,053)	(836)	(4,911)
NET BOOK VALUE	**4,450**	**4,016**	**31,556**	**7,124**	**47,146**

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

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

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

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

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

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

	Property under lease	Plant and equipment under lease	Total
At 1 January 2018, net of accumulated depreciation and impairment	**4,408**	**1,371**	**5,779**
Additions from business combinations	291	168	459
Additions from acquisitions	2	67	69
Depreciation for the year	(117)	(191)	(308)
Others		(15)	(15)
At 31 December 2018	**4,584**	**1,400**	**5,984**
At 1 January 2018			
Historical cost	4,699	4,943	9,641
Accumulated depreciation and impairment losses	(291)	(3,572)	(3,862)
NET BOOK VALUE	**4,408**	**1,371**	**5,779**
At 31 December 2018			
Historical cost	4,992	5,163	10,154
Accumulated depreciation and impairment losses	(408)	(3,763)	(4,170)
NET BOOK VALUE	**4,584**	**1,400**	**5,984**

8. Other intangible assets

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

	Other intangible assets	Goodwill	Total
At 1 January 2019, net of accumulated amortization and impairment	**25,634**	**407,622**	**433,256**
Additions from business combinations	101	22,745	22,846
Additions from acquisitions	9,017		9,017
Disposals	(74)		(74)
Amortization for the year	(7,854)		(7,854)
Others	521		521
IFRS5 Reclassification	(522)	(42,588)	(43,111)
At 31 December 2019	**26,823**	**387,778**	**414,601**
At 1 January 2019			
Historical cost	117,480	410,015	527,495
Accumulated amortization and impairment losses	(91,846)	(2,393)	(94,239)
NET BOOK VALUE	**25,634**	**407,622**	**433,256**
At 31 December 2019			
Historical cost	127,119	432,760	559,879
Accumulated amortization and impairment losses	(99,774)	(2,393)	(102,167)
IFRS5 Reclassification	(522)	(42,588)	(43,111)
NET BOOK VALUE	**26,823**	**387,778**	**414,601**

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

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

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

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

	Other intangible assets	Goodwill	Total
At 1 January 2018, net of accumulated amortization and impairment	**25,169**	**370,363**	**395,532**
Additions from business combinations	57	37,259	37,316
Additions from acquisitions	7,987		7,987
Disposals	(40)		(40)
Amortization for the year	(7,539)		(7,539)
At 31 December 2018	**25,634**	**407,622**	**433,256**
At 1 January 2018			
Historical cost	109,436	372,756	482,192
Accumulated amortization and impairment losses	(84,267)	(2,393)	(86,660)
NET BOOK VALUE	**25,169**	**370,363**	**395,532**
At 31 December 2018			
Historical cost	117,480	410,015	527,495
Accumulated amortization and impairment losses	(91,846)	(2,393)	(94,239)
NET BOOK VALUE	**25,634**	**407,622**	**433,256**

9. Impairment test of goodwill

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

SBU—facility management

The SBU is identified with:

- Rekeep S.p.A.;
- H2H Facility Solutions S.p.A.;
- the Group controlled by Sicura S.p.A., operating in the facility management segment as a provider of specialist services in the fields of safety and fire prevention;

- Telepost S.p.A., a specialist company for internal mailing services;
- Rekeep Digital S.r.l. (formerly e-Digital Services S.r.l.), which is active in the sector of high technology services to businesses;
- other minor investee companies operating in the same segment.

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

SBU—laundering & sterilization

The SBU is identified with:

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

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

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

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

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

Facility management CGU goodwill

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

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

- Acquisition of Altair IFM S.p.A. (the most significant transaction to date), which enabled the Group to gear the customer portfolio towards large private customers. In 2010 the larger companies in the Altair sub-group were merged by incorporation into Manutencoop Facility Management S.p.A;

- Reverse merger of the Parent Company CMF S.p.A. by incorporation into the subsidiary Rekeep S.p.A. with statutory, accounting and tax effects starting from 1 July 2018. The operation, defined as an "Operation Under Common Control" since it was carried out between parties subject to common control, gave rise to the recognition of a merger deficit in the assets up to the amount recorded in the Consolidated Financial Statements in which the companies involved in the merger participate, i.e. that of Manutencoop Società Cooperativa. The non-recognisable difference also gave rise to a negative equity reserve.

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

- Acquisition of the majority stake of EOS Hijyen İşletmeciliği Tesis Hizmetleri Sağlık İnşaat Servis ve Mühendislik Anonim Şirketi ("EOS", of which the Group already held a stake of 50%) on 28 February 2018. The Company is active in the linen rental and industrial laundering services and surgical instrument sterilization to support healthcare activities in Turkey, with a portfolio of orders already underway;

- Acquisition of Naprzód S.A., controlling a group of other 15 companies operating in Poland in the provision of facility management services in the healthcare sector, catering and medical transportation services, including outsourcing services, ambulance hire, security in mass events and the transport of disabled people. The transaction allows the Group to diversify its offering in terms of geographical areas.

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

- Acquisition of Gruppo Sicura S.r.l. (now Sicura S.p.A.), which paved the way for an expansion in the range of specialist facility management services in the fire prevention and accident prevention market;

- Acquisition of a fire fighting services business unit including its assets, equipment, trademarks and distinctive marks in addition to all the existing contractual relationships, from Triveneta Servizi S.r.l.. The transfer of the business unit came into effect on 1 August 2015. During 2017 a negative change on goodwill was recorded for € 93 thousand, as a result of the agreement reached to settle some disputes that had arisen in relation to this acquisition;

- Acquisition of Emmetek S.r.l. and its subsidiary Soluzioni Antincendio S.r.l. on 3 July 2019, which integrate the range of services offered by Gruppo Sicura through the design, prefabrication and installation of pumping stations, water reserves for fire-fighting purposes, hydrant networks and extinguishing systems and related maintenance.

Laundering & Sterilization CGU goodwill

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

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

- Acquisition during the 2006 financial period of a business unit dealing with the linen rental and industrial laundering and sterilization activities for public healthcare of Lidi Service S.p.A., the activity of which was carried out in Porto Garibaldi (province of Ferrara) plant;

- Acquisition of Omasa S.p.A. in 2007, a company operating in the market for the sterilization of surgical instruments and linen, as well as following further minor acquisitions, all made by Servizi Ospedalieri S.p.A., a company operating in the linen rental and industrial laundering and sterilisation market. Omasa S.p.A. was then merged by incorporation into Servizi Ospedalieri S.p.A. on 1 July 2009;
- On 3 July 2018, acquisition of Medical Device S.r.l., a trading company which has acquired over the years many certifications for the marketing of Class 3 medical devices, particularly critical for their intended use and requiring very complex certification procedures by Notified Bodies.

Impairment test

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

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

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

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

- The expected future cash flows, for the period from 2020 to 2024, extrapolated from the Business Plan, are derived from projected cash flows obtained through:
    - determination of the value of the forecast gross margins according to the projection of the backlog of existing service contracts, augmented by the assumptions of renewals and new portfolio acquisitions;
    - estimates of changes in Net Working Capital on the basis of the target days of stock rotation, the payment of amounts due and collection of receivables;
    - assumptions of investments consistent with the performance of forecast revenues in the various business sectors in which the Group operates;
- A terminal value used to estimate future results beyond the time horizon expressly considered. The terminal value was determined by applying a NOPLAT equal to 2024 EBIT adjusted by the average expected depreciation and amortization and investments, net of a nominal tax rate. As regards long-term growth rates, an assumption of 1% was considered for all CGUs;
- The expected future cash flows were discounted back at a discount rate (WACC) of 7.51% for the Facility management CGU (2018: 8.16%), at a discount rate (WACC) of 6.88% (2018: 7.58%) for the Laundering&Sterilization CGU and at a discount rate (WACC) of 8.21% for Naprzód. The WACC was determined by using the Capital Asset Pricing Model ("CAPM"), by which the risk-free rate was calculated with reference to the curve of the rates of return of Italian long-term government bonds, while the non-diversifiable systematic risk ratio (ßeta) and the debt/equity ratio were extrapolated from the analysis of a group of comparable companies operating in the European facility management and laundering sector. In addition, in order to reflect the uncertainty of the current economy and the future market conditions, the cost of the equity component of the WACC rate was increased with a risk premium of 200 basis points for Facility management and Naprzód CGUs e and 100 basis points for Laundering&Sterilization CGU in each period of time.

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

10. Investments accounted for under the equity method

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

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

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

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

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

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

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

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

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

11. Other non-current assets

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

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

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

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

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

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

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

Finally, as at 31 December 2019, "Other non-current assets" included the receivable of € 94,611 thousand that the Parent Company Rekeep S.p.A. had reported against an entry of the payable for the payment of the deposit relating to the fine imposed on it by the Competition Authority in relation to the Consip FM4 Tender (referred to in note 21 "Contingent liabilities below). Even while pending the proceedings on the merits, the hearing of which is set for 6 May 2020, the Company took steps to recognize the liability arising from the notice of payment issued by the Revenue Agency—Collection among "Other current liabilities" in the Statement of Financial Position for the corresponding amount (€ 94,611 thousand). This liability will be paid off upon the payment of the 72 instalments set in the plan of instalment payment of the notice

itself, according to the methods set out and until the Company's appeal is possibly granted within the pending proceedings. Furthermore, the deposit was stated among non-current balance sheet assets, since it constitutes a receivable against sums that are potentially subject to return following the settlement of the existing dispute (however, the time required for the judgment to become final cannot be estimated at present) and that cannot however be claimed automatically, even following the repayment of the entire debt.

12. Inventories

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

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

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

13. Trade receivables, advances to suppliers and other current receivables

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

	31 December 2019	of which from related parties	31 December 2018	of which from related parties
Contractual activities	27,284		25,215	
Trade receivables, gross	411,299		404,894	
Allowance for doubtful accounts	(31,617)		(33,283)	
Trade receivables from third parties	**406,966**	**0**	**396,826**	**0**
Trade receivables from Manutencoop Società Cooperativa	65	65	88	88
Trade receivables from Rekeep Group companies	9,270	9,270	11,796	11,796
Trade receivables from Affiliates and Joint Ventures	4,293	4,293	4,142	4,142
Trade receivables from Group	**13,628**	**13,628**	**16,026**	**16,026**
Advances to suppliers	7,403	3	5,078	1
IFRS5 Reclassification	(15,425)	(9)	0	
TRADE RECEIVABLES AND ADVANCES TO SUPPLIERS	**412,572**	**13,622**	**417,930**	**16,027**
Other tax receivables due within 12 months	18,393		12,845	
Other current receivables from third parties	8,718		5,845	
Short-term receivables from social security institutions	1,261		1,187	
Short-term receivables from employees	195		146	
Other current assets from third parties	**28,567**	**0**	**20,023**	**0**
Current assets from Manutencoop Società Cooperativa	8	8	10	10
Current assets from associates	166	166	103	103
Current assets from associates	0	0	23	23
Other current assets from Group	**174**	**174**	**136**	**136**
Accrued income	228		0	
Prepaid expenses	2,480		2,161	
Accrued income and prepaid expenses	**2,708**	**0**	**2,161**	**0**
IFRS5 Reclassification	(395)		**0**	
OTHER CURRENT ASSETS	**31,054**	**174**	**22,320**	**136**

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

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

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

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

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

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

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

The assignements made during the year are summarized below:

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

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

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

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

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

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

	Total	Trade receivables reaching maturity	Overdue trade receivables				
			< 30 days	30 - 60 days	60 - 90 days	90 - 120 days	beyond 120 days
31 December 2019	379,683	283,184	23,850	11,193	6,431	4,720	50,305
31 December 2018	371,611	257,171	33,996	12,945	9,559	5,078	52,862

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

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

- tax receivables, mostly relating to the VAT payments made by the Group companies (€ 15,830 thousand against € 11,358 thousand at 31 December 2018), which continue to show a credit balance given the widespread application of the regulations governing "Split-payment" and "Reverse charge" to the cycle of purchasing and sales invoicing. During 2019 assignments without recourse of VAT receivables of some Group companies were made for a total nominal amount of € 31,280 thousand and an interest discount of € 231 thousand;

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

- R&D tax credits totalling € 618 thousand. During the year the Parent Company Rekeep S.p.A and subsidiary Telepost S.p.A. started R&D projects in order to improve their business and delivery of services. The projects were developed and coordinated by internal resources based on their specific skills and duties, with the involvement of specific consultants for the various areas of business and were all completed in 2019. The income relating to tax credits were accounted for in the Consolidated Statement of Profit/Loss as operating grants, as a decrease in the related costs incurred, for a total of € 48 thousand, while capital grants of € 266 thousand were recognized, as a direct reduction in the historical cost of the assets, against R&D costs stated among intangible assets.

14. Cash and cash equivalents, receivables and other current financial assets

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

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

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

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

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

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

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

15. Share capital and reserves

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

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

The Parent Company does not hold own shares.

Reserves and Retained Earnings

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

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

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

	Share premium reserve	Legal reserve	Reserves for effects on SE of equity-accounted companies	Translation reserve	SORIE reserve	Other reserves	Total reserves
1 January 2018	**145,018**	**19,704**	**3,154**	**0**	**(5,233)**	**(17,789)**	**144,854**
Allocation of profits of previous years		420			74	7,989	8,483
Increase in Equity Reserves						49,700	49,700
Combinations "Under Common Control"						(198,261)	(198,261)
Economic effects accounted on equity			315	(309)	247		253
31 December 2018	**145,018**	**20,124**	**3,469**	**(309)**	**(4,912)**	**(158,361)**	**5,029**
Effects of the change in accounting standards						(1,617)	(1,617)
1 January 2019	**145,018**	**20,124**	**3,469**	**(309)**	**(4,912)**	**(159,978)**	**3,412**
Allocation of profits of previous years		799		309	(117)	15,173	16,163
Distribution of reserves		907				(13,907)	(13,000)
Economic effects accounted on equity			67	16	(949)		(866)
31 December 2019	**145,018**	**21,830**	**3,536**	**16**	**(5,977)**	**(158,713)**	**5,710**

The table below shows changes in *Retained earnings*:

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

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

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

	31 December 2019	31 December 2018
Equity attributable to minority interests	**836**	**668**
of which attributable to:		
Subsidiaries of Rekeep World S.r.l.	19	267
Other subsidiaries and consortia	817	401
Profit (loss) attributable to minority interests	**65**	**109**
of which attributable to:		
Subsidiaries of Rekeep World S.r.l.	(70)	8
Other subsidiaries and consortia	136	101

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

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

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

16. Employee Termination Indemnity (TFR)

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

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

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

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

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

	31 December 2019	31 December 2018
Discount rate	0.37%-0.77%	1.80%
Inflation rate	1.00%	1.50%
Estimated turnover	From 3.5% to 15.00%	From 1.5% to 11.50%

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

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

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

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

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

	For the year ended	
	31 December 2019	31 December 2018
Executives	58	53
White collars	1,319	1,203
Blue collars	16,821	15,197
Average staff	**18,198**	**16,452**

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

17. Provisions for risks and charges

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

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

Provision for risks on investments

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

Provision for risks on job orders

This provision includes, at consolidated level:

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

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

Provisions for pending legal disputes

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

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

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

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

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

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

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

The next hearing has been set for 16 October 2018. The tender performance bond (initially equal to € 24.5 million) might also be partially enforced if the Company loses the case against Consip S.p.A.. ANAC has proceeded with the entry of the contract termination, as well as of the challenge against the same on the part of Rekeep S.p.A. before the Civil Court of Rome and of the filing of an appeal with the Supreme Court against the Council of State's judgment no.

928/2017 in its computerised records. As regards the latter appeal, the Supreme Court declared inadmissible on 18 January 2019. The Company then filed an appeal with the European Court of the Human Rights to seek compensation for damages arising from the events described above, which was rejected on 14 November 2019.

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

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

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

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

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

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

Provision for termination employee benefits

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

Provision for tax disputes

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

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

Other provisions for risks and charges

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

18. Derivatives

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

19. Borrowings, loans and other current financial liabilities

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

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

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

	31 December 2019	within 1 year	from 1 year to 5 years	after 5 years
Senior Secured Notes	339,905		339,905	
C.C.F.S. loan	8,889	1,111	7,778	
Artigiancassa loan	1,556	239	1,317	
ETNO Bank Spółdzielczy Mortgage Loan	88	25	63	
Other bank loans	4,310	39	4,271	
Prepaid interest expenses	(831)	(509)	(322)	
Accrued interest expenses	1,530	1,530		
Long-term bank borrowings and current portion of long-term bank borrowings	**355,447**	**2,435**	**353,013**	**0**
Current account overdrafts, advance payments and hot money	2,446	2,446		
Finance lease obligations	5,853	1,451	3,114	1,288
Financial liability for operating leases	42,920	6,086	21,157	15,676
Loans from syndicated shareholders	893	554	16	323
Loan from Parent Company Manutencoop Società Cooperativa	165	165		
Other financial liabilities	1,970	30	1,940	
Obligations from assignments of trade receivables with recourse	28,174	28,174		
Amounts collected on behalf of assignees of trade receivables	7,558	7,558		
Options on subsidiaries' minority shareholdings	231		231	
Debt for the acquisition of investments / business units	9,929	9,929		
Payables for dividends to sole shareholder	13,000	13,000		
Share capital to be paid into investee companies	3	3		
Total FINANCIAL LIABILITIES	**468,589**	**71,830**	**379,471**	**17,288**
IFRS5 Reclassification	8,363	1,635	4,350	2,378
TOTAL FINANCIAL LIABILITIES BEFORE IFRS5 RECLASSIFICATION	**476,952**	**73,465**	**383,821**	**19,666**

	31 December 2018	within 1 year	from 1 year to 5 years	after 5 years
Senior Secured Notes	346,475		346,475	
C.C.F.S. loan	10,000		10,000	
Artigiancassa loan	1,676		958	718
Other bank loans	778	704	74	
Prepaid interest expenses	(1,125)	(512)	(613)	
Accrued interest expenses	1,700	1,700		
Long-term bank borrowings and current portion of long-term bank borrowings	**359,504**	**1,891**	**356,894**	**718**
Current account overdrafts, advance payments and hot money	5,247	5,247		
Finance lease obligations	3,577	451	1,604	1,523
Loans from syndicated shareholders	1,217	483	87	647
Loan from Parent Company Manutencoop Società Cooperativa	216	216		
Other financial liabilities	7	7		
Obligations from assignments of trade receivables with recourse	18,379	18,379		
Amounts collected on behalf of assignees of trade receivables	9,934	9,934		
Options on subsidiaries' minority shareholdings	214		214	
Debt for the acquisition of investments / business units	756	756		
TOTAL FINANCIAL LIABILITIES	**399,053**	**37,366**	**358,799**	**2,888**
Effects of adoption of IFRS 16	48,602	7,000	20,077	21,526
TOTAL FINANCIAL LIABILITIES	**447,655**	**44,366**	**378,876**	**24,414**

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

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

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

The rules of the bond issue provide for a system of guarantees and covenants to protect the Bondholders' investment. There are in fact some limitations on the financial operations of the Issuer and of its subsidiaries, while allowing the Group to operate freely, provided that the operations carried out contribute added value and cash flows to the Group, at least potentially. These covenants substantiate in some limitations on the possibility of incurring new indebtedness and making distribution of dividends, investments and some types of payments outside the Restricted Group (restricted payments). Furthermore, there are also rules governing the allocation of sums obtained from the sale of fixed assets, the performance of non-recurring and related-party transactions and the release of collateral on corporate assets to third parties. The

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

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

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

Super Senior Revolving Credit Facility (RCF)

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

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

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

Prepaid interest expenses

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

Accrued interest expenses

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

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

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

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

ETNO Bank Spółdzielczy (Naprzód Group) Mortgage Loan

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

Artigiancassa loan (Rekeep S.p.A.)

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

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

Other bank loans

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

Current account overdraft, advance payments and hot money

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

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

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

Obligations arising from finance lease

The lease agreements entered into are not secured and are signed by subsidiaries Servizi Ospedalieri S.p.A., Medical Device S.r.l., the Turkish subsidiary EOS and some companies in the Polish Naprzód sub-group. They refer to motor vehicles and plant and machinery, mainly relating to Servizi Ospedalieri S.p.A. that uses them in the laundering and sterilization production processes, and to the Naprzód Group. During 2019 Servizi Ospedalieri signed three new lease

agreements for € 289 thousand. An additional amount of € 3,416 thousand was recognized following the business combination of the Naprzód Group.

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

Financial liability for operating leases

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

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

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

Syndicated loans

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

Due to factoring agencies

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

Obligations from assignments of receivables with recourse

The Parent Company Rekeep S.p.A. entered into an agreement for the assignment with recourse of trade receivables with Unicredit Factoring S.p.A., concerning receivables from Public Authorities, in 2015. During 2019 assignments with recourse were made with regard to trade receivables at a nominal value of receivables of € 75,484 thousand. At 31 December 2019 the

Group showed obligations arising from assignments with recourse of receivables equal to € 28,174 thousand, of which an amount of € 23,747 thousand relating to the relationship with Unicredit Factoring S.p.A. (€ 18,379 thousand at 31 December 2018).

Options on subsidiaries' minority shareholdings

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

As at the reporting date the Group also held put options for an additional amount of € 1,315 thousand reclassified to "Liabilities directly associated with non-current assets held for sale" since it pertained to Gruppo Sicura. More specifically, this was the fair value of the put option held by the minority quotaholder of Emmetek S.r.l. and granted under the agreements signed at the time of the acquisition of the company on the part of Sicura S.p.A. on 3 July 2019. The option may be exercised between 1 January 2022 and 31 December 2022, subject to the prior approval of the acquiree's financial statements at 31 December 2021.

Debt for the acquisition of investments/business units

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

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

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

Debt for dividends

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

Other financial liabilities

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

20. Contingent liabilities

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

Antitrust Authority's order for sanctions on FM4Tender

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

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

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

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

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

Furthermore, on 28 June 2019 Consip S.p.A. formally served on Rekeep S.p.A. the order providing for its exclusion from the FM4 Tender due to the breach of Article 38, paragraph 1.f, of

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

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

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

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

Furthermore, the Company continues to hold that it considers the Competition Authority's order unjustified and disproportionate and will continue to take any necessary action against it to protect its rights and interests. The recognition of this payable is in fact a direct consequence of a decision made by the Regional Administrative Court, which did not grant the suspension of the payment until the discussion of the merits and this decision in no way anticipates the Regional Administrative Court's future rulings on the subject matter of the appeal (the fine) but only a method of collection assessed by the Court itself which is consistent with the need to protect the financial interests of the Competition Authority, instead of those of the plaintiff companies.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

21. Trade payables, contract liabilities and other current payables

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

	31 December 2019	of which to related parties	31 December 2018	of which to related parties
Trade payables	372,557		360,959	
Trade payables to third parties	**372,557**	**0**	**360,959**	**0**
Trade payables to Manutencoop Società Cooperativa	8,924	8,924	9,026	9,026
Trade payables to Group companies within 12 months	13,079	13,079	11,603	11,603
Trade payables to Manutencoop Group	**22,003**	**22,003**	**20,629**	**20,629**
Advances from customers including contract liabilities	21,309	1	18,014	98
IFRS5 Reclassification	(9,919)	(36)	0	
Trade payables and contract liabilities	**405,950**	**22,004**	**399,602**	**20,727**
Fees due to directors and statutory auditors	293		306	
Tax payables	8,643		9,925	
Payables to social security institutions within 12 months	15,059		9,895	
Other payables to TJA	12,382		10,019	
Payables to employees within 12 months	53,850		47,820	
Other payables within 12 months	102,126		9,054	
Property collection on behalf of customers	2,176		2,176	
Other current operating payables to third parties	**194,529**	**0**	**89,195**	**0**
Other current payables to Manutencoop Società Cooperativa	68	68	28	28
Other payables to Group companies	2	2	2	2
Other current operating payables to Manutencoop Group	**70**	**70**	**30**	**30**
Accrued expenses	251		9	
Deferred income	1,104		1,126	
Accrued expenses and deferred income	**1,355**	**0**	**1,135**	**0**
IFRS5 Reclassification	(3,489)	0	0	0
Other current operating payables	**192,465**	**70**	**90,360**	**30**

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

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

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

- payables to employees of € 53,850 thousand (€ 47,820 thousand at 31 December 2018) including the current monthly salaries to be paid in the months after the end of the period, as well as payables for additional monthly salaries to be paid (a portion of the 14th salary, to be paid in the month of July, and the 13th salary, to be paid each year in the month of December). Furthermore, the corresponding payables to social security institutions were recognized for € 15,059 thousand (€ 9,895 thousand at 31 December 2018);
- payables to tax authorities for € 8,643 thousand, mainly relating to the balance of payables for VAT payments on the part of some Group companies and of the IRPEF tax payable for employees (€ 9,925 thousand at 31 December 2018);
- receipts on behalf of Temporary Associations of Companies (ATI) for € 12,382 thousand, which relate to the amounts collected by the Group, on behalf of third parties, mostly relating to job orders under "CONSIP" agreements (€ 10,019 thousand at 31 December 2018).

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

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

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

22. Revenue from contracts with customers

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

	For the year ended	
	31 December 2019	**31 December 2018**
Revenues from product sales	23,912	17,440
Service revenues	844,246	810,988
Revenues from construction activities and plant installation	98,000	79,465
Other sales revenues	37,571	35,847
REVENUE FROM CONTRACT WITH CUSTOMERS	**1,003,729**	**943,740**

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

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

23. Other revenues

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

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

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

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

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

24. Costs of raw materials and consumables

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

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

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

25. Costs for services and use of third party assets

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

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

According to the previously applicable accounting rules, the "operating" lease cost for the period was accounted for in the Statement of Profit/Loss for the period, as "Cost for use of third-party assets", according to the matching principle and based on its accrual for the time being; the impact on the business cash flows was accounted for as "Cash flow from current operations" in the Statement of Cash Flows. Furthermore, the accounting standard IAS 17 provided for the financial method to be adopted for "finance" leases only, thus recognising the asset among balance sheet assets (and recognising accordingly any related amortization and depreciation) and the liability arising from future lease payments among balance sheet liabilities. Moreover, the related financial costs for the year were accounted for during the period of financial amortization of this liability. The new accounting standard IFRS16 provides for the recognition of the liability arising from agreements that were previously classified as operating leases in applying IAS 17 and, therefore, no "costs for use of third-party assets" were recognized during 2019 for all the cases identified in accordance with the new standard (in particular property leases and log-term hire for the corporate fleet). The accounting method used for transition is the "Modified retrospective approach", which does not provide for the restatement of accounting data for the previous year. However, it should be noted that effect on these costs would be a positive adjustment of € 9,717 thousand for the 2018 financial year.

For the year ended 31 December 2019 *Costs for services and use of third party assets* totalled € 318,581 thousand, marking an increase of € 3,040 thousand compared to the balance of the item on a like-for-like basis, to be attributed to an increase in costs for additional and residual services. Instead, there was a confirmation of a trend of reduction in costs for third-party services: as early as from the previous years the Group started in fact a major process of internationalisation in performing some activities, which entailed a change in the mix of

production factors in favour of the labour cost and the same business internationalisation policy can be found in the newly-acquired Polish Naprzód sub-group, as described in note 22 below.

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

26. Personnel costs

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

	For the year ended	
	31 December 2019	**31 December 2018**
Wages and salaries	280,725	258,204
Social security charges	85,662	81,471
Secondment costs	30,900	32,645
ESI paid to INPS (National Social Security Institute) and to funds	16,406	14,635
Directors' fees	2,238	1,655
Other personnel costs	767	1,170
Current benefits	**416,698**	**389,780**
Employee termination indemnity provision	1,086	1,073
Subsequent benefits	**1,086**	**1,073**
Employment termination benefits	1,306	1,695
Employment termination benefits	**1,306**	**1,695**
PERSONNEL COSTS	**419,090**	**392,548**

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

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

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

The cost of personnel related to the work rendered in Italy is Euro 400,446 thousand (Euro 388,264 thousand at 31 December 2018). Furthermore the item includes the costs linked to

the incentive system established in 2018 reserved for the top and middle management of the major Group companies for € 2,980 thousand (€ 2,954 thousand at 31 December 2018).

27. Other operating costs

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

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

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

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

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

28. Amortization/depreciation, write-downs and write-backs of assets

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

	For the year ended	
	31 December 2019	31 December 2018
Amortization of intangible assets	7,854	7,539
Depreciation of property, plant and equipment	19,537	20,261
Amortization of Rights of use	8,526	0
Write-downs of receivable, net of releases	1,866	2,982
Other write-downs	6	340
AMORTIZATION/DEPRECIATION, WRITE-DOWNS AND WRITE-BACKS OF ASSETS	**37,789**	**31,122**
Effects of adoption of IFRS16	0	7,958
AMORTIZATION/DEPRECIATION, WRITE-DOWNS AND WRITE-BACKS OF ASSETS	**37,789**	**39,080**

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

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

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

29. Dividends, income and losses from investments

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

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

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

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

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

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

30. Financial income

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

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

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

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

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

31. Financial costs

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

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

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

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

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

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

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

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

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

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

32. Current, prepaid and deferred taxes

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

	For the year ended	
	31 December 2019	**31 December 2018**
Current IRES tax	12,517	10,849
Current IRAP tax	4,928	4,206
(Income) costs from tax consolidation	(3,356)	(7,726)
Adjustments to current taxes of previous years	25	(838)
Current taxes	**14,114**	**6,491**
Prepaid/deferred IRES tax	716	1,861
Prepaid/deferred IRAP tax	63	181
Prepaid/deferred taxes relating to previous years	63	(107)
Prepaid/deferred taxes	**842**	**1,935**
CURRENT, PREPAID AND DEFERRED TAXES	**14,956**	**8,426**

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

More specifically, the main changes are as follows:

- an increase of € 1,668 thousand in the current IRES tax balance;
- an increase of € 722 thousand in the current IRAP tax balance;
- a decrease of € 4,370 thousand in the balance of income from tax consolidation;

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

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

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

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

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

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

Deferred tax assets and liabilities

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

	Tax effect on the balance sheet			Tax effect through P&L	Tax effect on equity
	31 December 2018	of which Business Combinations	31 December 2019	31 December 2019	31 December 2019
Deferred tax assets:					
Expected credit losses	5,890		5,534	(356)	
Provisions for risks and charges	2,921		3,221	300	
Amortization	1,095		1,008	(87)	
Interest expense	3,167		3,072	(96)	
Cash cost deduction	27		43	15	
Other consolidation adjustments	961	3	932	(117)	84
Other temporary adjustments	955	560	2,901	42	831
Foreign exchange effect					472
IFRS5 Reclassification	0		(685)		
Total deferred tax assets	***15,017***	***563***	***16,026***	***(299)***	***1,387***
Deferred tax liabilities:					
Goodwill amortization	(10,610)		(11,118)	(508)	
Purchase Price Allocation	(1,672)		(1,606)	67	
Cash cost reduction	(1,927)		(1,924)	3	
Employee benefit discounting	3		32	15	14
Other consolidation adjustments	(319)	10	(407)	(120)	31
Other temporary differences		(1,069)	(1,389)		
Foreign exchange effect					(320)
IFRS5 reclassification	0		18		
Total deferred tax liabilities	***(14,525)***	***(1,059)***	***(16,393)***	***(543)***	***(275)***
NET DEFERRED TAXES	**493**	**(496)**	**(367)**	**(842)**	**1,111**

33. Earnings per share

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

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

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

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

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

Dividends

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

34. Operating segments

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

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

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

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

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

	Facility management	Laundering & Sterilization	Total
Other segment information at 31 December 2018			
Investments in segment assets	20,717	19,813	**40,530**
Amortization/depreciation and write-downs of segment assets	20,839	16,949	**37,789**

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

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

	Facility management	Laundering & Sterilization	Eliminations	Total
Assets allocated to the segment	436,243	112,422	(1,385)	547,280
Goodwill	393,812	13,810		407,622
Investments	18,465	5,647		24,112
Other assets not allocated and related taxes				138,500
SEGMENT ASSETS AT 31 DECEMBER 2018	**848,520**	**131,878**	**(1,385)**	**1,117,513**
Liabilities allocated to the segment	480,478	57,737	(1,385)	536,830
Other liabilities not allocated and related taxes				415,191
SEGMENT LIABILITIES AT 31 DECEMBER 2018	**480,478**	**57,737**	**(1,385)**	**952,020**

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

35. Commitments and guarantees

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

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

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

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

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

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

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

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

- other guarantees granted by third parties in favour of associates, joint ventures and other equity investments for € 12,545 thousand (€ 12,305 thousand at 31 December 2018);
- other guarantees granted to third parties to replace security deposits required to activate utilities or to execute lease agreements, as well as for VAT refunds from Inland Revenue Agency, for a total amount of € 25,316 thousand (31 December 2018: € 25,551 thousand).

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

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

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

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

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

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

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

36. Transactions with related parties

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

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

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

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

- Manutencoop Cooperativa sub-leased to Rekeep S.p.A. the part of the property located in Zola Predosa, via Poli no. 4 (BO), for office use. The lease is tacitly renewable, except in the event of termination by one of the parties. Annual rent is expected to be € 1,343 thousand to be paid in monthly instalments;

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

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

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

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

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

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

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

	31 December 2019	31 December 2018
Board of Directors		
Short-term benefits	416	397
Post-employment benefits	0	0
TOTAL BOARD OF DIRECTORS	**416**	**397**
Executives with strategic responsibilities		
Short-term benefits	3,254	3,941
Post-employment benefits	136	128
TOTAL EXECUTIVES WITH STRATEGIC RESPONSIBILITIES	**3,389**	**4,069**
Board of Statutory Auditors		
Short-term benefits	133	135
TOTAL BOARD OF STATUTORY AUDITORS	**133**	**135**

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

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

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

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

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

37. Management of financial risks

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

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

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

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

After having attained the set objectives, as required by the Offering Memorandum for the bond issue, on 1 July 2018 the Group completed the merger of CMF S.p.A. by incorporation into its

subsidiary Rekeep S.p.A., according to Article 2501-*bis* (merger with debt). The merger entailed the acquisition, directly by Rekeep S.p.A., of the high-yield bond issue named "€360,000,000 9.0% Senior Secured Notes due 2022", which is not convertible and not subordinated, for an overall amount of principal of € 360 million, due 15 June 2022. At the same time, the Proceeds Loan granted by CMF S.p.A. to Rekeep S.p.A. was paid off.

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

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

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

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

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

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

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

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

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

Classes of financial assets and liabilities

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

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

	31 December 2019	Financial Liabilities at Fair Value through profit or loss	Financial Liabilities at amortized cost
NON-CURRENT FINANCIAL LIABILITIES			
Non-current loans	396,759		396,759
Financial liabilities for non-current derivatives	0		0
Other non-current liabilities	551		551
Total non-current financial liabilities	**397,310**	0	**397,310**
CURRENT FINANCIAL LIABILITIES			
Trade payables and contractual liabilities	405,950		405,950
Current tax payables	1,280		1,280
Other current liabilities	192,465		192,465
Bank borrowings and other financial liabilities	71,830		71,830
Total current financial liabilities	**671,525**	**0**	**671,525**
TOTAL FINANCIAL LIABILITIES	**1,068,835**	**0**	**1,068,835**
FINANCIAL INCOME (COSTS)	**(48,965)**	**0**	**(48,965)**

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

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

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

Liquidity risk

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

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

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

Within the context of the abovementioned refinancing transaction, CMF S.p.A. also signed a Super Senior Revolving (RCF) loan agreement for a total amount of € 50 million, governed by

English law, transferred to Rekeep S.p.A. following the above-mentioned reverse merger. Specifically, the Super Senior Revolving Loan agreement was entered into between, among others, CMF S.p.A., on the one hand, and J.P. Morgan Limited and UniCredit S.p.A., which act as Mandated Lead Arrangers, UniCredit Bank AG, Milan Branch, as Agent and Security Agent, and the Original Lenders, on the other hand. After the merger, the indirect subsidiary Servizi Ospedalieri S.p.A. may also access the revolving credit facility, providing a specific personal security. No amount arising from uses under the Super Senior Revolving Loan Agreement may be used, directly or indirectly, in order to, among other things, proceed with the repurchase or redemption of the Bond Issue or the purchase of shares in Rekeep S.p.A.. The RCF line, which had not yet been used at the reporting date, is an important cash elasticity tool that can be activated on demand within a limited number of business days.

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

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

Price risk

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

- of oil products relating to heat management activities;

- of cotton, the raw material in the linen used for laundering activities.

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

Credit risk

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

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

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

Fair value

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

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

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

Interest rate risk

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

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

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

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

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

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

Interest rate sensitivity analysis

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

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

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

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

Exchange rate risk

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

Capital management

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

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

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

	31 December 2019	31 December 2018
Employee termination indemnity	12,443	14,730
Interest-bearing loans	405,727	394,971
Trade payables and contract liabilities	405,950	399,602
Other current payables	192,465	90,360
Other current financial payables	62,862	4,082
Cash and cash equivalents	(97,143)	(94,733)
Other current financial assets	(4,819)	(5,532)
Total Net Debt	**977,485**	**803,480**
Group shareholders' equity	151,970	164,824
Undistributed net profit (loss)	(3,285)	(15,734)
Total Capital	**148,685**	**149,090**
EQUITY AND NET DEBT	**1,126,170**	**952,570**
INDEBTEDNESS RATIO	**86.8%**	**84.3%**

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

38. Other information

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

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

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

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

39. Subsequent events

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

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

On 24 April 2020 the Shareholders' Meeting of the Parent Company Rekeep S.p.A. passed a resolution to distribute a dividend of € 9,300,000.00 to the Sole Shareholder Manutencoop Società Cooperativa, by using available revenue reserves.

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

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

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

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

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

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

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

Zola Predosa, 24 March 2020

The Chairman and CEO
Giuliano Di Bernardo

Annex I

Group companies

Parent company

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

Subsidiaries consolidated on a line-by-line basis

Name	Registered Office	City	% Held	Currency
Bologna Strade Soc. Cons. a r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	54.37%	Euro
Catermed S.A.	ul. Traktorowa no. 126/201, 91-204	Łódź (Poland)	64.2%	PLN
CO.GE.F. Soc. Cons. a r.l	Via Ubaldo Poli no. 4	Zola Predosa (BO)	80%	Euro
Consorzio Igiene Ospedaliera Soc. Cons. a r.l	Via Ubaldo Poli no. 4	Zola Predosa (BO)	66.66%	Euro
Consorzio Servizi Toscana Soc. Cons. a r.l	Via Ubaldo Poli no. 4	Zola Predosa (BO)	60%	Euro
Consorzio Stabile CMF	Via Ubaldo Poli no. 4	Zola Predosa (BO)	99%	Euro
Emmetek S.r.l.	Via Asiago no. 77/9	Cassola (VI)	100%	Euro
Evimed S.r.l.	Via Zamenhof no. 363	Vicenza	100%	Euro
Energy Saving Valsamoggia S.r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	63%	Euro
EOS Hijyen Tesis Hizmetleri Saglik Insaat Servis Muhendislik A.S.	Üniversiteler Mahallesi, Bilkent Plaza, A3 Blok, no. 4	Çankaya/ Ankara	51%	TRY
Ferraria Soc. cons. a r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	69%	Euro
Global Oltremare Soc.Cons. a r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	60%	Euro
H2H Facility Solutions S.p.A.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	100%	Euro
H2H Cleaning S.r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	100%	Euro
ISOM Lavori Soc.Cons. a r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	62.71%	Euro
ISOM Gestione Soc.Cons. a r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	52.97%	Euro
IZAN+ sp. z o.o.	ul. Żabiniec no. 46, 31-215	Krakow (Poland)	100%	PLN
JOL-MARK sp. z o.o.	ul. Portowa no. 16G, 44-100	Gliwice (Poland)	100%	PLN
KANARIND Soc.Cons. a r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	62.43%	Euro
Kolumna Transportu Sanitarnego Triomed sp. z o.o.	ul. Północna no. 22, 20-064	Lublin (Poland)	80%	PLN
Logistica Sud Est Soc.Cons. a r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	60%	Euro
Manutencoop International Services LLC	Qatar Tower, building 35, street 920, zone 63	Doha (Qatar)	49%	QAR
Manutencoop Transport S.a.S.	4 place Louis Armand-Tour de l'Horloge	Paris	100%	Euro
MCF servizi Integrati Soc.Cons. a r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	60%	Euro
Medical Device S.r.l.	Via della Tecnica .52	Montevarchi (AR)	60%	Euro
MSE Soc. Cons. a r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	100%	Euro
Naprzód S.A.	ul. Żabiniec no. 46, 31-215	Krakow (Poland)	80%	PLN
Naprzód Cleaning sp. z o.o.	ul. Żabiniec no. 46, 31-215	Krakow(Poland)	100%	PLN
Naprzód Hospital sp. z o.o.	ul. Żabiniec no. 46, 31-215	Krakow (Poland)	100%	PLN
Naprzód Inwestycje sp. z o.o.	ul. Żabiniec no. 46, 31-215	Krakow(Poland)	100%	PLN
Naprzód IP sp. z o.o.	ul. Żabiniec no. 46, 31-215	Krakow (Poland)	100%	PLN
Naprzód Marketing sp. z o.o.	ul. Żabiniec no. 46, 31-215	Krakow (Poland)	100%	PLN
Naprzód Service sp. z o.o.	ul. Traktorowa n. 126/202, 91-204	Lodz (Poland)	100%	PLN
Palmanova Servizi Energetici Soc.Cons. a r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	60%	Euro
Protec S.r.l.	Via Zamenhof no. 363	Vicenza	100%	Euro

Name	Registered Office	City	% Held	Currency
Przedsiębiorstwo Produkcyjno-Handlowo-Usługowe „Postęp” sp. z o.o.	ul. Portowa n.16G, 44-100	Gliwice (Poland)	100%	PLN
Rekeep Arabia for Operations and Maintenance Ltd	P.O Box 230888, Riyadh, 11321, K.S.A., 28th floor, Kingdom tower.	Riyadh (Saudi Arabia)	100%	SAR
Rekeep Digital S.r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	100%	Euro
Rekeep Facility S.a.s.	52, Boulevard de Sebastopol	Paris	100%	Euro
Rekeep France S.a.s.	52, Boulevard de Sebastopol	Paris	70%	Euro
Rekeep Rail S.r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	100%	Euro
Rekeep Saudi Co. Ltd	P.O Box 230888, K.S.A., 28th floor, Kingdom Tower	Riyadh (Saudi Arabia)	100%	SAR
Rekeep United Yönetim Hizmetleri A.Ş.	United Plaza Örnektepe Mh. İmrahor Cd. Sivaseli Sk. 4	Istanbul	50.98%	TRY
Rekeep World S.r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	100%	Euro
S.AN.CO S.c.a.r.l.	Via Aurelio Saffi no. 51	Bologna	100%	Euro
S.AN.GE S.c.a.r.l.	Viale Sarca 336—Strada Privata Breda—Building 12	Milan	89%	Euro
San Gerardo Servizi Soc.Cons. a r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	60%	Euro
Servizi Brindisi Soc.Cons. a r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	52%	Euro
Servizi Ospedalieri S.p.A.	Via Calvino no. 33	Ferrara	100%	Euro
Servizi Sanitari Sicilia Soc.Cons. a r.l.	Via Calvino no. 33	Ferrara	70%	Euro
Servizi Taranto Soc.Cons. a r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	60.08%	Euro
Sicura S.p.A.	Via Zamenhof no. 363	Vicenza	100%	Euro
Soluzioni Antincendio S.r.l.	Via Romolo Gessi no.5	Ferrara (FE)	100%	Euro
Telepost S.p.A.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	100%	Euro
Vendi Cleaning sp. z o.o.	ul. Traktorowa n.126/201, 91-204	Lodz (Poland)	100%	PLN
Vendi Marketing sp. z o.o.	ul. Traktorowa no,126, 91-204	Lodz (Poland)	100%	PLN
Vendi Service sp. z o.o.	ul. Traktorowa no.126, 91-204	Lodz (Poland)	100%	PLN
Vendi Servis IP sp. z o.o.	ul. Traktorowa no.126, 91-204	Lodz (Poland)	100%	PLN
Yougenio S.r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	100%	Euro

Joint ventures accounted for under the equity method

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

Associates and other companies accounted for under the equity method

Name	Registered Office	City	% Held	Currency
Alisei S.r.l. in liquidation	Via Cesari no. 68/1	Modena	100%	Euro
Bologna Gestione Patrimonio Soc.Cons. r.l. in liquidation	Via della Cooperazione no. 9	Bologna	27.58%	Euro
BGP2 Soc.Cons. r.l.	Via Giovanni Papini no. 18	Bologna	41.17%	Euro
Bologna Global Strade Soc.Cons. r.l.	Via Pila no. 18	Sasso Marconi (BO)	59.65%	Euro
Bologna Multiservizi Soc.Cons. r.l. in liquidation	Via San Silvestro no. 56	Faenza (RA)	39%	Euro

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

Annex II

Valutation of investments using the equity method

		Net assets	Changes for the financial year					Net assets		
	%	31 December 2018	Financial effects	Dividends	Revaluations Write-downs	Provision for risks	Effects on shareholders' equity	31 December 2019	Book value	Provision for risks
Alisei S.r.l. in liquidation	100%	(87)				0		(87)	0	(87)
A.M.G. S.r.l.	50%	2,428		(148)	58			2,338	2,338	
BGP2 Soc.Cons. r.l.	41.47%	24			80			104	104	
Bologna Gestione Patrimonio Soc. Cons. a. r.l. in liquidation	27.58%	0			0			0	0	
Bologna Global Strade Soc. Cons. a. r.l.	60%	56	4		0			60	60	
Bologna Multiservizi Soc. Cons. a r.l.	39%	4	(4)					0	0	
Bologna Più Soc. Cons. a r.l.	25.68%	5						5	5	
Cardarelli Soc. Cons. a r.l. in liquidation	60%	5	(6)		1			0	0	
Centro Europa Ricerche S.r.l.	21.38%	61			6			67	67	
Co. & Ma. Soc. Cons. a r.l.	50%	5						5	5	
Como Energia Soc. Cons. a r.l. in liquidation	30%	11						11	11	
Consorzio Imolese Pulizie Soc. Cons. a r.l in liquidation	60%	6						6	6	
Consorzio Polo sterilizzazione Integrata	60%	1						1	1	
Consorzio Sermagest in liquidation	60%	0						0	0	
DUC Gestioni Soc.Cons. a r.l.	49%	10						10	10	
F.lli Bernard S.r.l.	20%	1,483		(50)	294			1,727	1,727	
Gestione Strade Soc.Cons. a r.l.	25%	13						13	13	
GICO Systems S.r.l.	20%	163		0	61			225	225	
Global Provincia di Rimini Soc.Cons. a r.l.	42.40%	4						4	4	
Global Riviera Soc.Cons. a r.l.	30.66%	9						9	9	
Global Vicenza Soc.Cons. a r.l.	41.25%	4						4	4	
GR.A.AL. SOC.CONS a r.l.	29.93%	3						3	3	
Gymnasium soc. Cons. A r.l. in liquidation	68%	7						7	7	
Imola Verde e Sostenibile Soc. Cons. a r.l. (IVES)	30%	0	6					6	6	
IPP S.r.l.	24.75%	465			(67)			398	398	
Legnago 2001 Soc. Cons. a r.l.	50%	5						5	5	
LIVIA Soc. Cons. a r.l	34.10%	3	(3)					0	0	
Logistica Ospedaliera Soc. Cons. a r.l	45.00%	5						5	5	
Newco DUC Bologna S.p.A.	24.90%	1,275			223		115	1,613	1,613	

		Net assets	Changes for the financial year					Net assets		
	%	31 December 2018	Financial effects	Dividends	Revaluations Write-downs	Provision for risks	Effects on shareholders' equity	31 December 2019	Book value	Provision for risks
Palazzo della Fonte S.c.p.a.	33.3%	8,000	(8,000)					0	0	
ROMA Multiservizi S.p.A.	45.47%	3,396		0	(730)		(48)	2,618	2,618	
San Martino 2000 Soc.Cons. a r.l.	40%	4						4	4	
S.E.I. Energia Soc. Cons. a r.l.	49.00%	5						5	5	
Società -Consortile Adanti Manutencoop a r.l. in liquidation	50%	10						10	10	
Serena S.r.l.	50%	9						9	9	
Servizi Napoli 5 Soc. Cons. a r.l.	45%	5						5	5	
Servizi Sanitari Treviso (SE.SA.TRE) in liquidation	40%	8	(8)					0	0	
Servizi Sportivi Brindisi Soc. Cons. a r.l. in liquidation	50%	5						5	5	
Simagest 2 Soc.Cons.a r.l. in liquidation	90%	45						45	45	
Simagest 3 Soc.Cons.a r.l. in liquidation	89.99%	45						45	45	
Steril Piemonte Soc. Cons. a r.l.	25%	1,000			(14)			986	986	
T&M Protection Resources Holdings Italy S.p.A.	40%	600	(596)		(4)			0	0	
Tower Soc.Cons. a r.l.	20,17%	20						20	20	
NET BOOK VALUE		**19,120**	**(8,607)**	**(198)**	**(92)**	**0**	**67**	**10,289**	**10,376**	**(87)**

Annex III

Related-party transactions

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

		Associates and joint-ventures								
		Revenues	Costs	Financial income	Financial charges		Trade receivables	Financial receivables and others	Trade payables	Financial payables and others
Alisei s.r.l. in liquidation	31-Dec-18					31-Dec-18	3			1
	31-Dec-19					31-Dec-19	3			1
AMG S.r.l.	31-Dec-18		261			31-Dec-18			242	
	31-Dec-19		270			31-Dec-19			293	
BGP2 Soc.Cons. r.l.	31-Dec-18					31-Dec-18			89	
	31-Dec-19					31-Dec-19				
Bologna Gestione Patrimonio Soc.Cons. a r.l. in liquidation	31-Dec-18	60	346			31-Dec-18	525		623	
	31-Dec-19	60	878			31-Dec-19	355		1,043	
Bologna Multiservizi Soc.Cons. a r.l.	31-Dec-18		27			31-Dec-18				
	31-Dec-19		40			31-Dec-19				
Bologna Più Soc.Cons.a r.l. in liquidation	31-Dec-18					31-Dec-18		3	3	2
	31-Dec-19					31-Dec-19		3	3	2
Bologna Global Strade Soc. Cons. a r.l	31-Dec-18	3,370	5,821			31-Dec-18	2,597	336	3,796	
	31-Dec-19	2,638	4,711			31-Dec-19	2,322	336	3,588	
Cardarelli Soc. Cons. a r.l.	31-Dec-18		39			31-Dec-18			40	
	31-Dec-19		7			31-Dec-19				
Centro Europa Ricerche S.r.l.	31-Dec-18					31-Dec-18				
	31-Dec-19					31-Dec-19				
Como Energia Soc.Cons.a r.l.	31-Dec-18		46			31-Dec-18			102	
	31-Dec-19					31-Dec-19			102	
Consorzio Imolese Pulizie soc.Cons. in liquidation	31-Dec-18					31-Dec-18		36	12	
	31-Dec-19					31-Dec-19		36	12	
Consorzio Polo Sterilizzazione Integrata a r.l.	31-Dec-18					31-Dec-18				
	31-Dec-19					31-Dec-19				
Consorzio Sermagest Soc.Cons.a r.l in liquidation	31-Dec-18					31-Dec-18				
	31-Dec-19					31-Dec-19				
CO.& MA. Soc. Cons. a r.l	31-Dec-18	360	1,120			31-Dec-18	300	20	929	
	31-Dec-19	360	1,035			31-Dec-19	240	20	839	
DUC Gestione Sede Unica Soc. Cons. a r.l.	31-Dec-18	7,216	3,455			31-Dec-18	3,666		773	
	31-Dec-19	7,075	3,538			31-Dec-19	3,877		996	
Fr.lli Bernard s.r.l.	31-Dec-18	(4)	76			31-Dec-18	29	50	46	
	31-Dec-19	12	34			31-Dec-19	41	50	61	
Gestione Strade soc.cons.r.l.	31-Dec-18		84			31-Dec-18			95	
	31-Dec-19	107	1,273			31-Dec-19	57	63	815	
Gico Systems S.r.l.	31-Dec-18	11	1,381			31-Dec-18	9		986	
	31-Dec-19	10	1,388			31-Dec-19	9		953	

		Associates and joint-ventures							
		Revenues	Costs	Financial income	Financial charges		Trade receivables	Financial receivables and others	Trade payables	Financial payables and others
Global Provincia di RN Soc.Cons.a r.l. in liquidation	31-Dec-18					31-Dec-18		70	13	
	31-Dec-19					31-Dec-19		70	13	
Global Riviera Soc.Cons.a r.l.	31-Dec-18		8			31-Dec-18			(31)	
	31-Dec-19		8			31-Dec-19			(23)	
Global Vicenza Soc.Cons. a r.l.	31-Dec-18		11			31-Dec-18		10	17	
	31-Dec-19		(4)			31-Dec-19		10	14	
GR.A.AL. Soc. Cons. a. r.l.	31-Dec-18					31-Dec-18				
	31-Dec-19					31-Dec-19				
Grid Modena S.r.l.	31-Dec-18					31-Dec-18				
	31-Dec-19					31-Dec-19				
Gymnasium Soc. cons. a r.l in liquidation	31-Dec-18					31-Dec-18	1	8	33	
	31-Dec-19					31-Dec-19	1	8	33	
Imola Verde e Sostenibile Soc. Cons. a r.l. (IVES)	31-Dec-18					31-Dec-18				
	31-Dec-19					31-Dec-19				3
IPP S.r.l.	31-Dec-18	135				31-Dec-18	126	60		
	31-Dec-19	16				31-Dec-19	12	59		
Legnago 2001 Soc. Cons. r.l.	31-Dec-18		4			31-Dec-18	158		50	
	31-Dec-19		4			31-Dec-19	158		54	
Livia Soc. cons. a r.l.	31-Dec-18					31-Dec-18				
	31-Dec-19					31-Dec-19				
Logistica Ospedaliera Soc. Cons. a r.l.	31-Dec-18					31-Dec-18			15	
	31-Dec-19					31-Dec-19			15	
Newco DUC Bologna S.p.A	31-Dec-18					31-Dec-18			37	
	31-Dec-19		15			31-Dec-19			51	
Palazzo della Fonte S.c.p.a.	31-Dec-18	5,240				31-Dec-18	2,154			
	31-Dec-19	2,401				31-Dec-19	(1)			
Progetto ISOM S.p.A.	31-Dec-18	149	86	60		31-Dec-18				
	31-Dec-19					31-Dec-19				
Roma Multiservizi S.p.A.	31-Dec-18	1,623	1,377			31-Dec-18	3,261		615	
	31-Dec-19	818	1,124			31-Dec-19	3,377		341	
San Martino 2000 Soc.Cons. r.l.	31-Dec-18	2,186	2,695			31-Dec-18	236		880	
	31-Dec-19	1,585	2,425			31-Dec-19	135		1,556	
Savia Soc. Cons. a r.l	31-Dec-18		(4)			31-Dec-18			36	
	31-Dec-19					31-Dec-19				
Serena S.r.l.—in liquidation	31-Dec-18					31-Dec-18		3		
	31-Dec-19					31-Dec-19		3		
Servizi Napoli 5 Soc.Cons. a r.l.	31-Dec-18	1,397	1,310			31-Dec-18	2,710		1,820	
	31-Dec-19	1,400	1,322			31-Dec-19	2,773		1,731	
Se.Sa.Mo. S.p.A.	31-Dec-18	5,080		27		31-Dec-18				
	31-Dec-19					31-Dec-19				
S.E.I. Energia Soc. Cons. a r.l.	31-Dec-18	53				31-Dec-18	63	735		
	31-Dec-19	67		22		31-Dec-19	121	776		
SESATRE S.cons. a r.l.	31-Dec-18		161			31-Dec-18			18	
	31-Dec-19					31-Dec-19				
Se.Ste.Ro S.r.l.	31-Dec-18					31-Dec-18				
	31-Dec-19					31-Dec-19				
S.I.MA.GEST2 Soc. Cons. r.l. in liquidation	31-Dec-18					31-Dec-18		75	13	2
	31-Dec-19					31-Dec-19		75	13	2
S.I.MA.GEST3 Soc. Cons. r.l in liquidation	31-Dec-18					31-Dec-18		3	3	
	31-Dec-19					31-Dec-19		3	3	

		Associates and joint-ventures							
		Revenues	Costs	Financial income	Financial charges		Trade receivables	Financial receivables and others	Trade payables	Financial payables and others
Società Consortile Adanti Manutencoop in liquidation	31-Dec-18					31-Dec-18			53	
	31-Dec-19					31-Dec-19			53	
Steril Piemonte Soc. cons. a.r.l	31-Dec-18		723			31-Dec-18	7	75	346	
	31-Dec-19		714			31-Dec-19	7		496	
Synchron Nuovo San Gerardo S.p.A.	31-Dec-18	5,979	211	202		31-Dec-18				
	31-Dec-19					31-Dec-19				
T&M Protection Resources Holdings Italy S.p.A.	31-Dec-18	6				31-Dec-18	7			
	31-Dec-19	47				31-Dec-19				
Tower Soc.Cons. a r.l. in liquidation	31-Dec-18					31-Dec-18	33	29		
	31-Dec-19					31-Dec-19	33	29		

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

		Associates of manutencoop societa' cooperativa or other related parties								
		Revenues	Costs	Financial Income	Financial charges		Trade receivables	Financial receivables and others	Trade payables	Financial payables and others
Consorzio Karabak Società Cooperativa	31-Dec-18	66				31-Dec-18	21			
	31-Dec-19	73				31-Dec-19	26			
Consorzio Karabak 2 Società Cooperativa	31-Dec-18	3	1			31-Dec-18	1		1	
	31-Dec-19	5	1			31-Dec-19	2			
Consorzio Karabak 4 Società Cooperativa	31-Dec-18		2			31-Dec-18			2	
	31-Dec-19					31-Dec-19			1	
Consorzio Karabak 5 Società Cooperativa	31-Dec-18					31-Dec-18			1	
	31-Dec-19					31-Dec-19				
Consorzio Karabak 6 Società Cooperativa	31-Dec-18					31-Dec-18				
	31-Dec-19					31-Dec-19				
TOTAL	**31-Dec-18**	**33,258**	**50,998**	**290**	**9,923**	**31-Dec-18**	**16,027**	**16,994**	**20,727**	**20,805**
	31-Dec-19	**16,882**	**50,822**	**22**	**1,123**	**31-Dec-19**	**13,631**	**9,623**	**22,004**	**33,104**
Of which Discontinued Operations	**31-Dec-18**					**31-Dec-18**				
	31-Dec-19					**31-Dec-19**	**9**	**493**	**36**	**3,184**

Annex IV

Statement of reconciliation of the reclassified statement of cash flows and the statutory schedule items

	For the year ended			
	2019		2018	
Cash and cash equivalents at the beginning of the year		**94,733**		**59,870**
Cash flow from current operations:		**55,194**		**49,536**
Profit before taxes	18,306		24,269	
Amortizations, depreciations, write-downs (write-backs) of assets	37,789		31,121	
Accruals (reversals) of provisions	4,270		2,584	
Employee termination benefits provision	1,086		1,073	
Income (loss) from equity investments, net of dividends collected	290		2,841	
Financial charges (income) for the period	41,428		32,103	
Net interests received (paid) in the period	(33,904)		(25,823)	
Taxes paid in the period	(6,715)		(11,808)	
Reclassifications:				
Non-cash net financial charges accounted for under the Statement of profit or loss	*(7,357)*		*(6,824)*	
Uses of provisions for risks and charges and payments of the employee termination indemnity:		**(6,258)**		**(7,180)**
Uses of employee terminations benefits	(2,119)		(1,875)	
Uses of provisions for risks and charges	(4,139)		(5,305)	
CHANGE IN NWOC:		**4,634**		**14,965**
Decrease (increase) in inventories	(1,453)		(281)	
Decrease (increase) in trade receivables	5,978		11,289	
Changes in trade payables	109		3,957	
INDUSTRIAL AND FINANCIAL CAPEX:		**(48,934)**		**(18,449)**
(Purchase of intangible assets, net)	(7,681)		(7,947)	
(Purchase of property, plant and equipment)	(25,020)		(24,040)	
Sale of property, plant and equipment	63		457	
(Acquisition of investments)	8,700		11,041	
Decrease (increase) of financial assets	2,114		460	
Financial effects of Business combinations	(10,813)		(1,529)	
Discontinued operations	(2,941)		220	
Reclassifications:				
Net change in the balance of short-term financial assets, to be included in the balance of net financial liabilities	*(2,108)*		*3,580*	
Payables for acquisition of equity investments and business combinations	*(8,484)*		*(690)*	
Financial effects of Business combinations	*(11,127)*			
Reclassification of Debt of Discontinued Operations	*8,363*			
CHANGE IN NET FINANCIAL LIABILITIES:		**21,647**		**176,946**
Change in finance lease debt	(1,143)		(445)	
New (repayment of) operating lease debt	(6,993)		0	
Acquisition of non-current borrowings	0		6,676	
Repayment of non-current borrowings	(12,199)		0	
Proceeds from/(repayment of) short term bank debt	(4,574)		(86)	
Other changes in financial debt	6,350		(14,391)	

	For the year ended			
		2019		2018
Adjustments:				
Financial effects of Business combinations	*0*		*181,258*	
Reclassifications:				
Non-cash net financial charges accounted for under the Statement of Profit or Loss	*7,357*		*6,824*	
Net change in the balance of short-term financial assets, to be included in the balance of net financial liabilities	*2,108*		*(3,580)*	
Financial effects of Business combinations	*11,127*		*0*	
Non-cash elements on net acquisitions of fixed assets	*6,493*		*0*	
Payables for acquisition of equity investments and business combinations	*8,484*		*690*	
Distribution of reserves and other changes in Equity	*13,000*			
Reclassification of Debt of Discontinued Operations	*(8,363)*			
OTHER CHANGES:		**(23,872)**		**(180,956)**
Decrease (increase) in other current assets	(6,962)		8,413	
Change in other current liabilities	2,894		(5,984)	
Dividends paid	0		(70)	
Acquisition/assignment of minority interests of subsidiaries	(230)		(1,500)	
Difference of financial statements translations in foreign currency	(81)		(557)	
Adjustments:				
Financial effects of Business combinations			*(181,258)*	
Reclassifications:				
Financial effects of Business combinations				
Non-cash elements on net acquisitions of fixed assets	*(6,493)*			
Distribution of reserves and other changes in equity	*(13,000)*			
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**97,143**		**94,733**

Rekeep S.p.A.

Consolidated financial statements as at December 31, 2019

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010
(Translation from the original Italian text)

To the Sole Shareholder of
Rekeep S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Rekeep Group (the Group), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Rekeep S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to *Note 20–Contingent Liabilities* of the consolidated financial statements, which describes management evaluation regarding the sanction imposed on Rekeep S.p.A. by the *Autorità Garante della Concorrenza e del Mercato* (Antitrust Authority) on May 9, 2019 and the related effects on the consolidated financial statements.

Our opinion is not modified in respect of this matter.

Other Matter

The audit activity has been partially affected by the spreading of COVID 19 and all related measures imposed by the Italian government to protect the public health, including restrictions to all travel initiatives. Consequently, due to an objective situation of force majeure, certain audit procedures performed in accordance with the applicable auditing standards have been carried out considering (i) a revised organization of our employees and audit teams, based on a wide use of smart working models, and (ii) different means to connect with client management personnel and gather audit evidence, that primarily involved the use of electronic support provided through remote communication networks.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and, within the terms provided by the law, for such internal

control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Parent Company Rekeep S.p.A. or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010[1]

The Directors of Rekeep S.p.A. are responsible for the preparation of the Report on Operations of Rekeep Group as at December 31, 2019, including its consistency with the related consolidated financial statements and its compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations, with the consolidated financial statements of Rekeep Group as at December 31, 2019 and on its compliance with the applicable laws and regulations, and in order to assess whether it contains material misstatements.

In our opinion, the Report on Operations is consistent with the consolidated financial statements of Rekeep Group as at December 31, 2019 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Bologna, April 9, 2020

EY S.p.A.
Signed by: Alberto Rosa, Auditor

This report has been translated into the English language solely for the convenience of international readers.

[1] The Report on Operation is not included in this Offering Memorandum

Consolidated financial statements
At 31 December 2018

General information

Registered office

Via U. Poli, 4
Zola Predosa (Bo)

Board of directors

Appointed by Shareholders' Meeting of
13 October 2017

CHAIRMAN and CEO
Giuliano Di Bernardo

VICE CHAIRMAN
Giuseppe Pinna

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

Board of statutory auditors

Appointed by Shareholders' Meeting of
13 October 2017

CHAIRMAN

Germano Camellini

STANDING AUDITORS
Marco Benni
Monica Mastropaolo

ALTERNATE AUDITORS
Michele Colliva
Antonella Musiani

Independent auditors

EY S.p.A.

CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 2018

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

CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 2018

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED DECEMBER 31, 2018

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

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

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2018

(in thousands of Euro)	Note	For the year ended 31 December 2018	31 December 2017
NET PROFIT/LOSS FOR THE YEAR		**15,843**	**715**
Other components of the comprehensive income, which will be subsequently reclassified under profit/(loss) for the year:			
Differences arising from translation of financial statements in foreign currency		(557)	(75)
Share of other comprehensive income for the year of entities accounted for using the equity method, which will be subsequently reclassified under profit/(loss) for the year	7	301	(220)
Other components of the comprehensive income for the year, which will be subsequently reclassified under profit/(loss) for the year		**(256)**	**(295)**
Other components of the comprehensive income, which will not be subsequently reclassified under profit/ (loss) for the year:			
Actuarial gains /(losses on defined benefit plans		251	7
Income taxes		(3)	(9)
Net effect of actuarial gains /(losses)	13	**247**	**(2)**
Share of other comprehensive income for the year of entities accounted for using the equity method, which will not be subsequently reclassified under profit/(loss) for the year	7	14	9
Other components of the comprehensive income for the year, which will not be subsequently reclassified under profit/(loss) for the year		**261**	**8**
TOTAL PROFIT/(LOSS) IN THE STATEMENT OF COMPREHENSIVE INCOME, NET OF TAXES		**5**	**(287)**
TOTAL COMPREHENSIVE INCOME/(LOSS), NET OF TAXES		**15,848**	**428**
Equity holders of the Parent		15,987	355
Non-controlling interests		(139)	73

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2018

(in thousands of Euro)	Note	For the year ended 31 December 2018	31 December 2017
NET PROFIT (LOSS) FROM CONTINUING OPERATIONS FOR THE YEAR		**15,843**	**715**
Income taxes for the year		8,426	16,010
PROFIT/(LOSS) BEFORE TAXES FROM CONTINUING OPERATIONS		**24,269**	**16,725**
Amortization, depreciation, write-downs and (write-backs) of assets		31,121	30,280
Accrual (reversal) of provisions for risks and charges		2,584	143
Employee termination indemnity provision		1,073	935
Payments of employee termination indemnity		(1,875)	(2,453)
Utilization of provisions for risks and charges		(5,305)	(6,252)
Share of net profit of associates, net of dividends collected		2,841	3,610
Financial charges (income) for the year		32,103	39,689
OPERATING CASH FLOWS BEFORE MOVEMENTS IN WORKING CAPITAL		**86,812**	**82,677**
Decrease (increase) of inventories		(281)	(1,675)
Decrease (increase) of trade receivables		11,289	24,131
Decrease (increase) of other current assets		8,413	(5,902)
Increase (decrease) of trade payables		3,957	38,582
Increase (decrease) of other current liabilities		(5,984)	(7,212)
Change in Working Capital		**17,395**	**47,924**
Net interest received (paid) in the year		(25,823)	(43,495)
Income tax paid in the year		(11,808)	(17,231)
NET CASH FLOW FROM OPERATING ACTIVITIES		**66,575**	**69,876**
Purchase of intangible assets, net of sales	5	(7,947)	(6,501)
Purchase of property, plant and equipment	4	(24,040)	(25,048)
Proceeds from sales of property, plant and equipment	4	457	498
Acquisition of investments		11,041	(1,487)
Decrease (increase) of financial assets		460	(27)
Business combinations	3	(1,529)	0
Discontinuing activities	29	220	1,060
NET CASH FLOW USED IN INVESTING ACTIVITIES		**(21,339)**	**(31,504)**
Change in finance lease debt	16	(445)	2,708
Proceeds from non-current borrowings	16	6,676	195,300
Repayment of non-current borrowings	16	0	(324,310)
Proceeds from/(repayment of) short term bank debt	16	(86)	(5,857)
Proceeds from non-current borrowings	16	(14,391)	(3,683)
Dividends paid		(70)	(25,111)
(Acquisition)/sale of minority interests in subsidiaries		(1,500)	93
Translation differences		(126)	0
NET CASH FLOW FROM / (USED IN) FINANCING ACTIVITIES		**(9,942)**	**(153,494)**
Changes in cash and cash equivalents		**35,295**	**(115,122)**
Cash and cash equivalents at the beginning of the year		59,870	174,992
Changes in cash and cash equivalents		35,295	(115,122)
Translation differences on cash and cash equivalents		(432)	0
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**94,733**	**59,870**
Details of cash and cash equivalents:			
Cash and bank current accounts		94,733	59,870
TOTAL CASH AND CASH EQUIVALENTS		**94,733**	**59,870**

SUPPLEMENTARY INFORMATION

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED DECEMBER 31, 2018

	Share capital	Reserves	Retained earnings	Result for the year	Total shareholders' equity attributable to equity holders of the parent	Equity attributable to non-controlling interests	Total shareholders' equity
1 January 2018	**109,150**	**144,854**	**43,755**	**642**	**298,401**	**381**	**298,782**
Allocation of previous year result		8,483	(7,841)	(642)	**0**		**0**
Dividend distribution					**0**	(70)	**(70)**
Increase in Capital Reserves		49,700			**49,700**		**49,700**
Business combinations "under common control"		(198,261)			**(198,261)**		**(198,261)**
Acquisition/sale of minority interests in subsidiaries			(1,003)		**(1,003)**	496	**(506)**
Total comprehensive income for the year		253		15,734	**15,987**	(139)	**15,848**
31 December 2018	**109,150**	**5,029**	**34,911**	**15,734**	**164,824**	**668**	**165,492**

	Share capital	Reserves	Retained earnings	Result for the year	Total shareholders' equity attributable to equity holders of the parent	Equity attributable to non-controlling interests	Total shareholders' equity
1 January 2017	**109,150**	**187,856**	**(7,518)**	**33,649**	**323,137**	**235**	**323,372**
Allocation of previous year result		(42,715)	51,273	(8,558)	**0**	0	**0**
Dividend distribution				(25,091)	**(25,091)**	(20)	**(25,111)**
Acquisition/sale of minority interests in subsidiaries					**0**	93	**93**
Total comprehensive income for the year		(287)		642	**355**	73	**428**
31 December 2018	**109,150**	**144,854**	**43,755**	**642**	**298,401**	**381**	**298,782**

CONSOLIDATED FINANCIAL STATEMENTS EXPLANATORY NOTES FOR THE YEAR ENDED DECEMBER 31, 2018

1. General information

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

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

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

1.1 The business

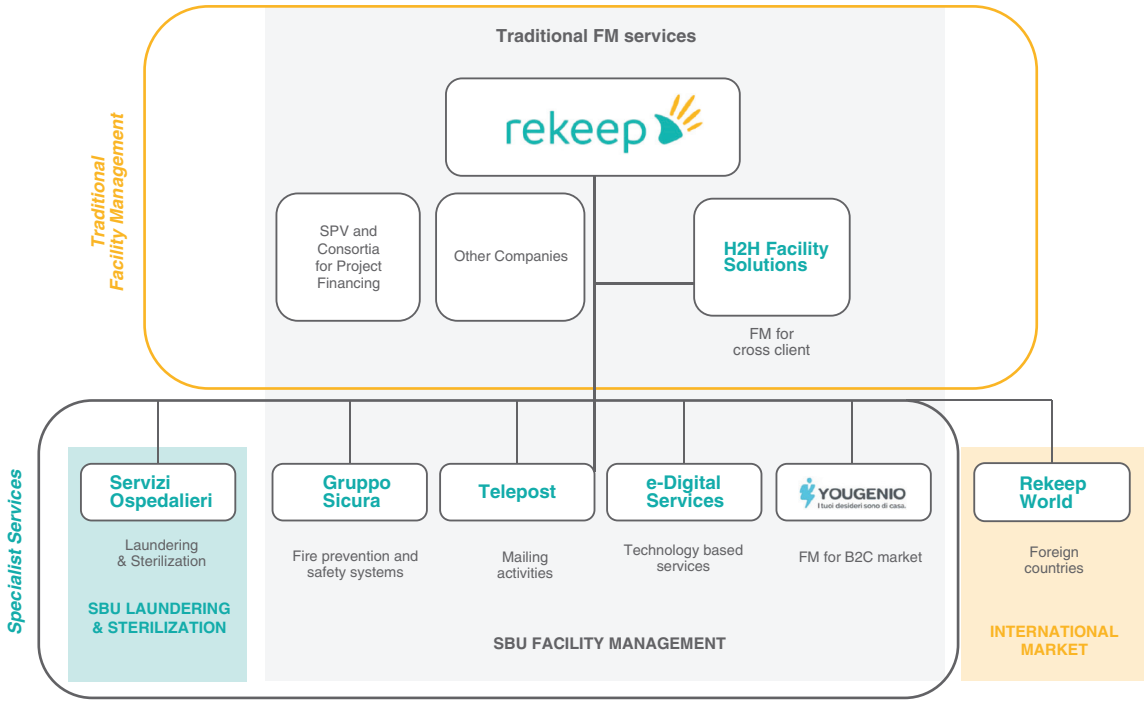
The Group is active in the management and provision of integrated services to public and private customers, targeted at properties, the area and to support so-called "Integrated Facility Management" health care activities.

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

At present the Rekeep Group is structured into a single operating holding company which combines so-called "traditional" facility management production resources with those related to supporting the whole Group's business . As early as from the previous financial years a strategy has been pursued by the central holding functions to diversify: (i) operations, also through a series of acquisitions, with some "specialist" facility management services beside the historical core business (hygiene services, green spaces and technical and maintenance services): these services involve fire prevention and safety products and systems, in addition to linen rental and industrial laundering services and surgical instrument sterilization at healthcare facilities and high technology B2B services, (ii) markets, through the sub-holding Rekeep World S.r.l., which was established to start the commercial development in international markets at the end of 2015.

During 2016 diversification was further boosted in May by establishing Yougenio S.r.l., an innovative start-up active in the provision of services to private consumers through an e-commerce platform, wholly owned by Rekeep S.p.A.. This event led the Group to enter the B2C services market.

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



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

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

- Cleaning;
- Technical Services;
- Landscaping.

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

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

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

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

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

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

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

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

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

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

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

2. Accounting standards and basis of presentation

The consolidated Financial Statements at 31 December 2018 comprise the Consolidated Statement of financial position, the Consolidated Statement of profit or loss, the Consolidated Statement of other comprehensive income, the Consolidated Statement of Cash flows, the Consolidated Statement of changes in Shareholders' Equity and the related Explanatory Notes.

The balance sheet and income statement values reported in the Statements, the Statement of Cash Flow and the Explanatory Notes are compared with those at 31 December 2017. The consolidated Financial Statements at 31 December 2018 were prepared on a historical cost basis.

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

The Financial Statements at 31 December 2018 have been presented in Euro, which is the Group's functional currency. All values showed in the statements and in the explanatory notes are in thousands of Euro, unless otherwise stated.

2.1 Statement of compliance with international accounting standards (IFRS)

The Consolidated Financial Statements at 31 December 2018 have been prepared in accordance with the International Financial Reporting Standards ("IFRS"). The Rekeep Group is subject to Letter f) of Article 2 under the Italian Legislative Decree no. 38 of 28 February 2005, which rules the exercise of the options provided for by the Article 5 of Regulation (EC) 1606/2002 about the International Financial Reporting Standards and, therefore, pursuant to Article 3, paragraph 2, and Article 4, paragraph 5, of the aforesaid Italian Legislative Decree, the Group has applied the IFRS as adopted by the European Union in the preparation of its consolidated and separate Financial Statements as from the year ended 31 December 2005.

2.2 Changes in accounting standards and disclosures

The criteria adopted for the preparation of the consolidated Financial Statements are consistent with those used to prepare the consolidated Financial Statements of the previous year, with the exception of the standards and interpretations which are newly issued and applicable from 1 January 2018, in addition to the amendments to standards already in force.

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

New or revised IFRS and interpretations applicable as from 1 January 2018

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

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

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

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

a) Classification and measurement

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

b) Impairment losses

IFRS 9 requires the Group to record expected credit losses on all its bonds, loans and trade receivables, on an annual basis or based on their residual maturity. The Group applies the simplified approach and records the expected losses on all trade receivables on the basis of their residual maturity, defining a matrix for the allocation based on the historical experience of the individual Group companies in relation to credit losses, as adjusted to take account of specific forecast factors relating to creditors and the economic world. The Group already carried out a specific risk analysis by credit category based on the residual maturity and the recovery procedures used. The Group, therefore, already incorporated the considerations on the current macroeconomic situation and the forecasts on future recoverability conditions into the calculation of the allowance for doubtful accounts, based on the judgement of Management. From this analysis it emerged that the forecast insolvency rate, i.e. the loss rate (Probability of default "PD") for the amount of expected losses (Loss Given Default "LGD") calculated taking into account elements of forward looking, is entirely similar to the percentages of write-downs already adopted, since the measurement in the past was not limited to "incurred" losses only, but incorporated elements of valuation on expected losses for each individual credit. Therefore, the provisions of IFRS 9 have no impact on the Group's shareholders' equity.

c) Hedge accounting

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

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

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

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

- IFRS16—Leases (applicable from the financial years that will end after 1 January 2019). The scope of application of the new standard includes all lease agreements, subject to some exceptions. A lease is an agreement that grants the right to use an asset ("the underlying asset") for a certain period of time against the payment of a consideration. The method to account for all leases is based on the model provided for in IAS 17, while excluding any lease that involves goods of little value (e.g.: computers) and short-term contracts (e.g.: with a term of less than 12 months). Therefore, a liability must be recognised as at the date on which the lease is stated in the accounts, for the rentals to be paid and the asset in relation to which the entity has a right to use, accounting for financial charges and the asset's amortisation/ depreciation separately. The liability may be recalculated (for example, due to amendments to contract terms and conditions or due to a change in indexes to which the payment of rentals for use is linked) and this change must be accounted for on the underlying asset. In fact, as regards the lessor, the accounting method is substantially unchanged with respect to the provisions laid down under the current IAS17. The standard must be applied on a modified retrospective basis, while early adoption is permitted at the same time as IFRS15. During 2018 the Group carried out an in-depth analysis that made it possible to identify the potential impact that the application of the new standard will have on the financial position, results of operations and cash flows and on the disclosure provided in the Consolidated Financial Statements as from 2019 and the appropriate management approach. The method used by the Group companies for the transition will be the "Modified retrospective approach".

- *IFRIC 23—Uncertainty over Income Tax treatments.* The interpretation clarifies the accounting for uncertainties in income taxes in the application of recognition and measurement requirements in IAS 12—"Income taxes". The interpretation specifically concerns: (i) whether an entity considers uncertain tax treatments separately, (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities, (iii) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates and (iv) how an entity considers changes in facts and circumstances. The interpretation does not add new disclosure requirements: however, it deals with the requirements laid down in IAS 1 relating to disclosures on judgments, information on the assumptions made and other estimates and information on contingent tax items under IAS 12 "Income taxes". An entity may elect to apply the interpretation either (i) retrospectively using IAS 8 "*Accounting Policies, Changes in Accounting Estimates and Errors*", if that is possible; or (2) retrospectively, with the cumulative effect of initially applying the Interpretation recognised at the date of initial application as an adjustment to equity and without any restatement of comparative information. The date of initial application is the beginning of the annual reporting period in which an entity applies this interpretation for the first time. No significant impact is expected from the application of the new standard on the Consolidated Financial Statements.

- *IFRS17—Insurance Contracts*. The standard replaces the previously applicable IFRS 4 and requires all insurance contracts to be accounted for in a consistent manner, as well as insurance obligations to be accounted for by using current values instead of historical costs. No significant impact is expected from the application of the new standard on the Consolidated Financial Statements.

- *Amendments to IFRS9—Prepayment Features with Negative Compensation*. It enables the entities to measure certain particular prepayable financial assets with so-called negative compensation at amortised cost or at fair value through "other comprehensive income", if a specific condition is satisfied, instead of measuring them at fair value through profit or loss.
- *Amendments to IAS28—Long-term interests in associates and joint ventures* (applicable from the financial years that will end after 1 January 2019). It clarifies how entities must use IFRS 9 to recognise long-term interests in associates or joint ventures, for which the equity method is not applied.

Finally, in February 2018 the IASB issued the "Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)" document, which specifies how the entities must determine pension expenses when changes to a certain pension plan occur. IAS 19 "Employee Benefits" specifies how an entity accounts for a defined-benefit plan. When a plan amendment, adjustment, curtailment or settlement occurs, IAS 19 requires entities to remeasure the net defined-benefit asset or liability. The amendments require entities to use the updated assumptions based on such remeasurement to determine current service cost and net interest for the remainder of the period after a plan amendment. The amendments will be applicable after 1 January 2019. No significant impact is expected from the application of the new standard on the Consolidated Financial Statements.

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

Improvements to IFRS

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

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

In December 2017, the IASB also issued the "Annual Improvements to IFRS 2015-2017 Cycle", which make amendments to IFRS in response to issues mainly raised about: (I) IFRS 3—"Business Combinations", clarifying that when an entity obtains control of a business that is a joint operation, it must remeasure previously held interests in that business; (II) IFRS 11—"Joint Arrangements", clarifying that when an entity obtains control of a business that is a joint operation, it does not remeasure previously held interests min that business; (III) IAS 12—"Income Taxes", clarifying that the impact relating to income taxes arising from dividends (i.e. distribution of profits) should be recognised through profit or loss, regardless of how the tax arises; (IV) and IAS 23—"Borrowing Costs", clarifying that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally. The amendments will be applicable from 1 January 2019.

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

2.3 Discretionary assessments and significant accounting assumptions

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

Discretionary assessments

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

Uncertainty of estimates

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

Impairment test

Goodwill is subject to impairment test at least annually, or more frequently if there is an indication of potential impairment in the carrying amounts. This requires an estimate of the value in use of the CGU (cash-generating unit) to which the goodwill is allocated, in turn based on an estimate of expected cash flows from the CGU and their discounting on the basis of a suitable discount rate. At 31 December 2018 the carrying amount of Goodwill was equal to € 407,622 thousand (€ 370,363 thousand compared to 31 December 2017). See note 6 for details.

Provisions for risks and charges and Allowance for doubtful accounts

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

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

The Group held majority interests in subsidiaries in past years in relation to which the minority shareholders held PUT options, which can be exercised in the future at prices determined on the basis of certain parameters that require estimates from management for the purposes of reliable valuation. In this case, the correct recognition in the financial statements of the related liability requires management to make some estimates to determine the expected relevant parameters.

Recognition of revenues and costs relating to contract activities with customers

The Group uses the percentage of completion method to account for activities on long-term contracts for the building and improvement of properties or technological plants for which it does construction work. The margins recognised in profit and loss depend both on the progress of the works and the margins on the entire work when completed; therefore if work in progress and margins on work not yet completed are to be recognised correctly, the Directors must make correct estimates of the costs of completion, possible increases in cost, delays, extra costs and

penalties which could reduce the expected margin. The use of the percentage of completion method requires the Group to estimate the costs of completion, which entails the adoption of assumptions depending on factors which could change in time and could therefore have a substantial impact on current estimates. Should actual costs be different from estimated costs, this change will impact on the results for future periods.

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

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

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

The cost of defined-benefit pension plans and of any other post-employment medical benefit, as well as the present value of the defined-benefit liability, are determined on the basis of actuarial assumptions. Actuarial assessments require various assumptions to be made which can differ from actual developments in the future. These assumptions also include the calculation of the discount rate, future pay rises, the mortality rate and future increases in pensions. Owing to the complexity of the assessment and its long-term nature, these estimates are extremely sensitive to changes in assumptions. All the assumptions are reviewed on an annual basis. See note 13 for details.

Consolidation principles

The Consolidated Financial Statements include the financial statements of Rekeep S.p.A. ("the 'Parent Company'", "Rekeep S.p.A." or "Rekeep") and its subsidiaries, prepared as at 31 December 2018. The financial statements of the subsidiaries have been prepared by adopting for each closing date the same accounting standards as those applied for the parent company.

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

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

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

Conversion of financial statements of foreign companies

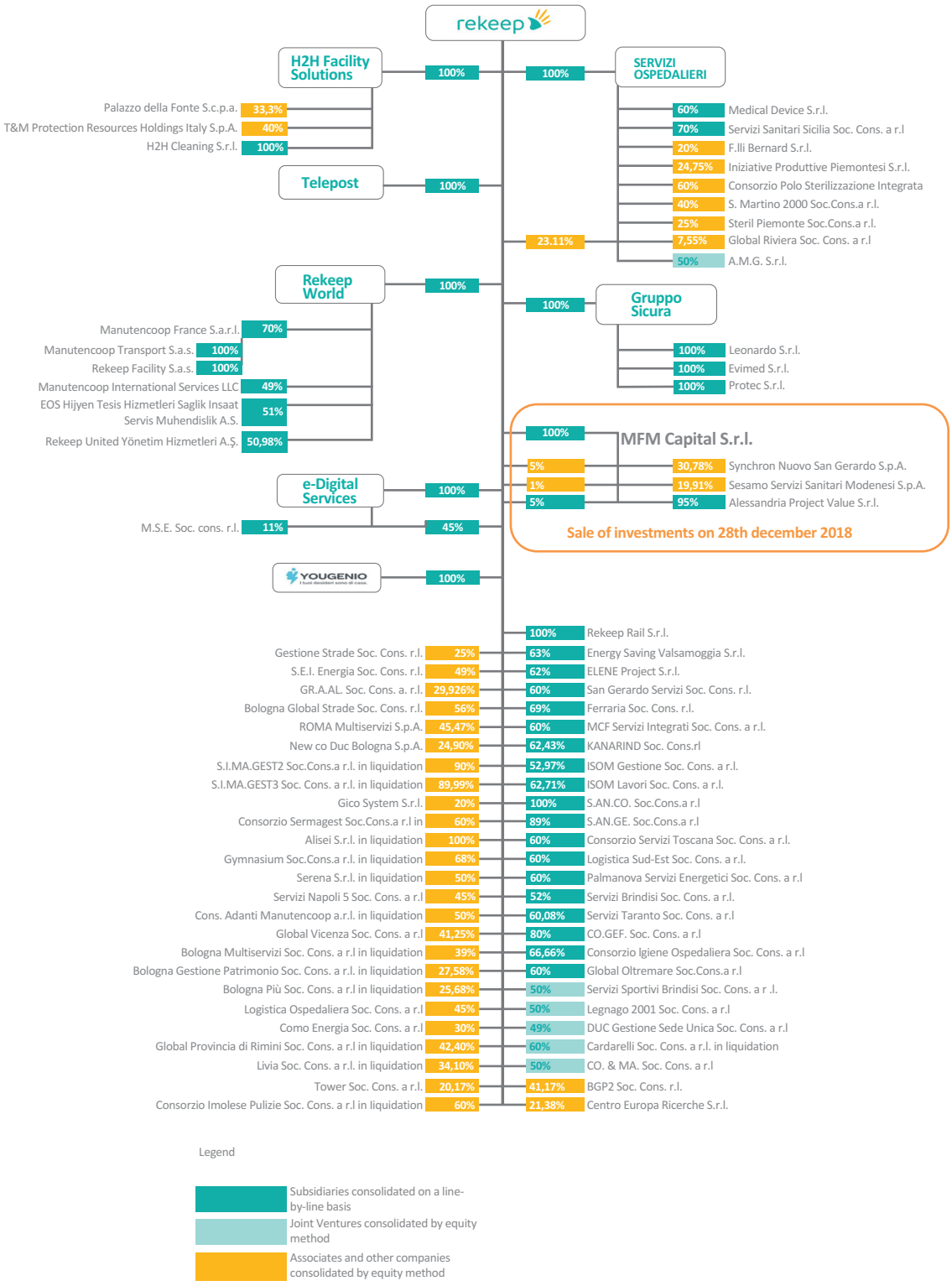
The financial statements are presented in Euro, the Group's functional currency. Statements of financial position and income statements stated in foreign currency are converted to Euro using the exact year-end exchange rates for the items of the Statement of Financial Position and average exchange rates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

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

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

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

The consolidation area at 31 December 2018 is shown below.



During the 2018 financial year note the following events:

- On 15 January 2018, the disposal to third parties of a stake equal to 30% of the share capital of Manutencoop France S.a.r.l., following which the Group's percentage of ownership of the company amounted to 70%;
- the acquisition by Rekeep World S.r.l. (formerly Manutencoop International S.r.l.) acquired a stake representing 1% of the share capital of EOS Hijyen Tesis Hizmetleri Saglik Insaat Servis Muhendislik A.S. ("EOS"), based in Ankara (Turkey). Following the acquisition, the Group

acquired control over the Turkish company (whose share capital was already held by Servizi Ospedalieri S.p.A. at a percentage of 50%), with the consequent consolidation of the entity on a line-by-line basis;

- on 2 May 2018, Rekeep World S.r.l. acquired a stake of 50.98% of the share capital of Rekeep United Yönetim Hizmetleri A.Ş. based in Istanbul (Turkey), following a capital increase approved by the latter;
- on 28 May 2018 Rekeep Facility S.a.S. was established, which is wholly owned by Manutencoop France S.a.r.l.;
- on 3 July 2018 Servizi Ospedalieri S.p.A. acquired a stake of 60% of the share capital of Medical Device S.r.l., based in Montevarchi (Arezzo);
- on 1 August 2018 Rekeep Rail S.r.l. was established, which is wholly owned by Rekeep S.p.A.;
- on 20 September 2018 Sicura S.p.A. acquired the residual minority interest of the subsidiary Evimed S.r.l. equal to 10%;
- on 20 July 2018 the disposal of 31.98% of the share capital of Progetto ISOM S.p.A. to Sinloc—Sistema Iniziative Locali S.p.A.;
- the transfer of 100% of the quota capital of Alessandria Project Value S.r.l. to MFM Capital, as well as of a portion of the shares held in Synchron Nuovo San Gerardo S.p.A. and Sesamo Servizi Sanitari Modenesi S.p.A. and other non-strategic minority interests. Furthermore, on 28 December 2018, a stake of 95% in the quota capital of MFM Capital was transferred to the 3i European Operational Projects SCSp. fund, with the consequent deconsolidation of the balance sheet balances from the date of transfer.

2.4 Summary of the main accounting policies

Property, plant and equipment

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

Depreciation is calculated on a straight line basis in line with the estimated useful life of the asset, starting from the date the asset becomes available for use, until the date it is sold or disposed of. The carrying amount of property, plant and equipment is subject to impairment test when events or changes suggest that the carrying amount may not be recoverable. A tangible asset is derecognized from the financial statements at the moment of sale or when no future economic benefits are expected from its use or disposal. Any profits or losses (calculated as the difference between net proceeds from the sale and the carrying amount) are recognized in the income statement in the year of the aforementioned derecognition. The residual value of the asset, useful life and method applied are reviewed annually and adjusted, if necessary, at the end of each financial year.

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

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

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

Financial costs arising from the purchase are charged to the income statement except in the case in which they are directly attributable to the acquisition, construction or production of an asset which justifies their capitalisation (qualifying asset), in which case they are capitalised.

A qualifying asset is an asset that requires a certain period of time to be ready for use. The capitalisation of financial costs ceases when all the activities needed to make the qualifying asset ready for use have been completed.

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

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

Goodwill

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

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

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

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

Other intangible assets

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

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

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

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

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

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

Equity investments in joint ventures and associates

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

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

Impairment of assets

At the reporting date of the financial statements, the Group assesses whether there is any evidence of impairment of assets. In this case, or in the event an annual impairment test is required, the Group prepares an estimate of the recoverable value. The recoverable value is the higher of the fair value of an asset or cash-generating unit, net of selling costs and its value in use and is determined for each individual asset, except when said asset does not generate cash flows that are largely independent from those generated by other assets or groups of assets. If the carrying amount of an asset is higher than its recoverable value, said asset has been impaired and is subsequently written down to its recoverable value. In calculating the value in use, the Group discounts estimated future cash flows at the present value by using a pre-tax discount rate which reflects the market valuations on the time value of money and the specific risks of the asset. Impairment losses of operating assets are recognized in the income statement under 'amortisation, depreciation, write-downs and write-backs of assets'.

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

Financial assets

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

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

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

The accounting policies applied by the Group are the following:

Financial asset at amortised cost

Financial assets accounted for at amortised cost are measured using the effective discount rate method. Profits or losses are recognised through profit or loss when financial assets are derecognised from the accounts or when impairment losses occur, as well as through the amortisation process.

Financial assets at fair value through OCI

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

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

Inventories

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

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

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

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

Trade receivables and other receivables

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

Contractual activities on plant construction orders

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

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

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

Cash and cash equivalents

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

Loans

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

Derecognition of financial assets and liabilities

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

- the contractual rights over cash flows arising from financial assets have expired;
- the Group has transferred the financial asset (transferring the right to receive cash flows from the asset or retaining the right to receive these but assuming the contractual obligation to pay them in full and without delay to a third party) and has transferred substantially all risks and rewards of ownership of the financial asset.

If, as a result of the transfer, a financial asset is derecognised in full, but the result is that the Group obtains a new financial asset or assumes a new financial liability, the Group recognizes the new financial asset, financial liability or liability originating from service at fair value.

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

Impairment of financial assets

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

Assets valued according to the amortised cost criterion

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

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

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

Assets recognised at cost

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

Financial assets at fair value through OCI

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

Provisions for risks and charges

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

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

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

Provision for employee termination benefits

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

Employee benefits

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

The IFRIC issued by the IASB tackled the issue of Italian ESI and concluded that, in application of IAS 19, it falls within the scope of "defined benefit" plans, as regards post-employment benefits and, as such, must be calculated using the Projected Unit Credit Method (PUCM), in which the

amount of liabilities in the form of acquired benefits must reflect the expected date of termination and must be discounted.

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

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

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

The Group has no other significant defined benefit pension plans.

Leasing

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

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

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

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

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

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

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

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

Finance lease contracts, which substantially transfer all risks and rewards of ownership of the leased asset to the Group, are capitalised at the date of the start of the lease at the fair value of the leased asset or, if lower, at the present value of rental fees. Rental fees are split between the portions of principal and interest so as to obtain the application of a constant interest rate on the residual debt balance. Financial costs are charged directly to the income statement.

Capitalised leased assets are amortised over the estimated useful life of the asset and the lease term, whichever is the shorter, if there is no reasonable certainty that the Group will obtain ownership of the asset at the end of the contract.

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

Revenue recognition

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

Provisions of services

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

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

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

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

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

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

Plant construction activities

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

Sales of assets

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

Interests

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

Dividends

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

Government grants

Government grants are recognized when it is reasonably certain they will be received and all inherent conditions are met. When grants are related to cost components, they are recognized as

revenues, but are systematically split over the financial years so they are commensurate with the costs they intend to compensate. In the event the grant is related to an asset, the fair value is deducted from the carrying amount of the asset to which it is related and the release to the income statement occurs progressively over the expected useful life of the asset on a straight line basis, through the systematic reduction of the associated amortisation charges.

Income taxes

Current taxes

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

Deferred taxes

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

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

- when deferred tax liabilities arise from the initial recognition of goodwill or of an asset or liability in a transaction which is not a business combination and which, at the time of the transaction, does not have any effect on the profit for the year calculated for financial statement purposes or the profit or loss calculated for tax purposes;
- with reference to taxable temporary differences associated with equity investments in subsidiaries, associates and joint ventures, in the event in which the reversal of the temporary differences can be controlled and is not likely to occur in the foreseeable future.

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

- deferred tax assets connected to deductible temporary differences arise from the initial recognition of an asset or liability in a transaction which is not a business combination and which, at the time of the transaction, does not have any effect on the profit for the year calculated for financial statement purposes or the profit or loss calculated for tax purposes;
- with reference to taxable temporary differences associated with equity investments in subsidiaries, associates and joint ventures, deferred tax assets are recognized only to the extent in which it is likely that the deductible temporary differences will be reversed in the immediate future and that sufficient tax profits will be generated against which the temporary differences can be used.

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

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

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

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

VAT

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

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

Service concession arrangements

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

The concessionary company shall not carry infrastructure under tangible assets as it does not hold "control", as set forth in IFRIC 12. The asset to be recognised is the right to use the infrastructure for providing the service, to be classified as a financial asset in the presence of an unconditional right to receive future compensation regardless of actual use of the infrastructure and as an intangible asset in the presence of a right to exploit the infrastructure itself in financial terms, charging users based on use of the service received. Provision is also made for a "mixed" accounting model if the concessionary company is the holder of both a financial asset and an intangible right, where it is necessary to separate the component of remuneration as provided for under the agreement relating to the financial asset, determining the amount of the intangible asset as a secondary activity (with respect to the value of the construction services provided.

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

Earnings per share

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

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

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

Operating segments

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

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

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

Methods of calculation of the costs allocated to the segments

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

Methods of calculation of the assets and liabilities allocated to the segments

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

Changes in accounting estimates and errors

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

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

Restatement is not applied and errors are recognised prospectively if the errors and omissions are considered immaterial. Omissions or misstatements of items are material if they could,

individually or collectively, influence the economic decisions that the users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances.

3. Business combinations

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

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

The Merger was completed pursuant to Article 2501-*bis* of the Italian Civil Code (merger following acquisition with debt) since CMF S.p.A. has raised a debt to acquire the total control over subsidiary and the latter's equity being acquired constitutes a general guarantee and the source of repayment of this debt. The Merger is expressly envisaged in the rules of the bond issue named "CMF S.p.A. €360,000,000 9.0% Senior Secured Notes due 2022", which is not convertible and not subordinated, for a total amount on account of principal of € 360,000,000, issued by CMF S.p.A. on 6 July 2017, whose bonds (ISIN Codes XS1642816554 XS1642818337) were listed on the Euro MTF multilateral trading system managed by the Luxembourg Stock Exchange and on the ExtraMOT multilateral system, PRO segment, organised and managed by Borsa Italiana S.p.A..

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

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

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

	Rekeep S.p.A. Consolidated financial statements	CMF S.p.A. Separate financial statements	Effects of the merger	Consolidated financial statements post merger of Rekeep S.p.A. at 1 July 2018
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipments	68,893			68,893
Property, plant and equipments under lease	5,775			5,775
Goodwill	372,392		33,183	405,575
Other intangible assets	24,149			24,149
Investments accounted for under the equity method	27,962	420,472	(420,472)	27,962
Other investments	5,262			5,262
Non-current financial assets	10,799	166,899	(166,899)	10,799
Other non-current assets	3,089			3,089
Deferred tax assets	16,718	336		17,054
TOTAL NON-CURRENT ASSETS	**535,039**	**587,707**	**(554,188)**	**568,558**
CURRENT ASSETS				
Inventories	6,155			6,155
Trade receivables and advances to suppliers	399,824			399,824
Current tax receivables	3,764			3,764
Other current assets	21,850	277		22,127
Current financial assets	973	653	(653)	973
Cash and cash equivalents	102,057	21		102,078
TOTAL CURRENT ASSETS	**534,623**	**951**	**(653)**	**534,921**
Assets held for sale	0			0
TOTAL NON-CURRENT ASSETS HELD FOR SALE	**0**	**0**	**0**	**0**
TOTAL ASSETS	**1,069,662**	**588,658**	**(554,841)**	**1,103,479**
SHAREHOLDERS' EQUITY AND LIABILITIES				
SHAREHOLDERS'EQUITY				
Share capital	109,150	250	(250)	109,150
Reserves	153,321	214,800	(413,061)	(44,940)
Retained earnings	35,915	(26,023)	26,023	35,915
Profit/(loss) for the year attributable to equity holders of the Parent	11,749			11,749
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**310,135**	**189,027**	**(387,288)**	**111,874**
Capital and reserves attributable to non-controlling interests	888			888
Profit/(loss) for the year attributable to non- controlling interests	23			23
EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	**911**	**0**	**0**	**911**
TOTAL SHAREHOLDERS' EQUITY	**311,046**	**189,027**	**(387,288)**	**112,785**
NON-CURRENT LIABILITIES				
Employee termination indemnity	14,768			14,768
Provisions for risks and charges, non-current	25,867			25,867
Subordinated Shareholder's Funding	0	49,700		49,700
Long-term financial debt	181,616	344,871	(166,899)	359,588
Deferred tax liabilities	12,234	2,116		14,350
Other non-current liabilities	685			685
TOTAL NON-CURRENT LIABILITIES	**235,170**	**396,687**	**(166,899)**	**464,958**
CURRENT LIABILITIES				
Provisions for risks and charges, current	5,290			5,290
Trade payables and contract liabilities	376,835	1,497		378,331
Current tax payables	4,160	7		4,167
Other current liabilities	104,827			104,827
Bank borrowings, including current portion of long-term debt, and other financial liabilities	32,334	1,440	(653)	33,121
TOTAL CURRENT LIABILITIES	**523,446**	**2,944**	**(653)**	**525,736**
Liabilities directly associated with assets held for sale	0			0
LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS HELD FOR SALE	**0**	**0**	**0**	**0**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**1,069,662**	**588,658**	**(554,840)**	**1,103,479**

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

	For the year ended 31 December 2018			
	Rekeep S.p.A.	CMF S.p.A.		
	Consolidated financial statements	Separate financial statements	Pro-forma effects of the merger	Pro-forma consolidated financial statements of Rekeep S.p.A.
REVENUE				
Revenue from contracts with customers	943,740			943,740
Other revenue	6,142			6,142
TOTAL REVENUE	**949,882**	**0**	**0**	**949,882**
OPERATING COSTS				
Costs of raw materials and consumables	(140,144)			(140,144)
Change in inventories of finished and semi-finished products	43			43
Costs for services and use of third-party assets	(325,258)	(112)		(325,370)
Personnel costs	(392,548)	(3)		(392,551)
Other operating costs	(6,660)	(1)		(6,661)
Lower costs for internal work capitalised	4,140			4,140
Amortization, depreciation, write-downs and write- backs of assets	(31,122)			(31,122)
Accrual (reversal) to provisions for risks and charges	(2,584)			(2,584)
TOTAL OPERATING COSTS	**(894,133)**	**(116)**	**0**	**(894,249)**
OPERATING INCOME	**55,749**	**(116)**	**0**	**55,633**
FINANCIAL INCOME AND EXPENSES				
Share of net profit of associates	1,466			1,466
Dividend and net income/(loss) from sale of investments	(843)			(843)
Financial income	1,597	8,679	(8.679)	1,597
Financial expenses	(33,544)	(17,705)	8.679	(42,570)
Gains / (losses) on exchange rate	(156)	(2)		(158)
Profit/(loss) before taxes from continuing operations	**24,269**	**(9,144)**	**0**	**15,125**
Income taxes	(8,426)	(509)		(8,935)
Profit/(loss) from continuing operations	**15,843**	**(9,653)**	**0**	**6,190**
Profit/(loss) after taxes from discontinued operations	0	0		0
Net profit (loss) for the year	**15,843**	**(9,653)**	**0**	**6,190**
Net profit (loss) attributable to non-controlling interests	(109)	0		(109)
NET PROFIT (LOSS) FOR THE YEAR	**15,734**	**(9,653)**	**0**	**6,081**

3.2 Acquisition of a majority stake in EOS

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

projects that are part of the investment programme aimed at modernising the Turkish healthcare sector through the construction of new hospitals.

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

Accounting effects of the acquisition

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

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

	Recognised value	Book value
ASSETS		
Non-current assets		
Property, plant and equipments	1,615	1,615
Property, plant and equipments under lease	76	76
Non-current financial assets	273	273
Total non-current assets	**1,964**	**1,964**
CURRENT ASSETS		
Inventories	181	181
Trade receivables and advances to suppliers	632	632
Other current receivables	423	423
Cash and cash equivalents	282	282
TOTAL CURRENT ASSETS	**1,518**	**1,518**
TOTAL ASSETS	**3,482**	**3,482**
LIABILITIES		
NON-CURRENT LIABILITIES		
Equity attributable to non-controlling interests	305	305
Long-term financial debt	838	838
Other non-current liabilities	682	682
TOTAL NON-CURRENT LIABILITES	**1,825**	**1,825**
CURRENT LIABILITES		
Short-term loans	2	2
Trade payables and contract liabilities	1,025	1,025
Other current liabilities	313	313
TOTAL CURRENT LAIBILITIES	**1,340**	**1,340**
TOTAL LIABILITIES	**3,165**	**3,165**
FAIR VALUE OF NET ASSETS	**317**	**317**
Fair value of 50% stake already held by the Group	346	
GOODWILL ARISING FROM THE BUSINESS COMBINATION	**2,029**	
Consideration paid to the transferor	2,000	
TOTAL COST OF THE BUSINESS COMBINATION	**2,000**	
Net cash used in the acquisition:		
Cash and cash equivalents of the acquired company	282	
Payments to the transferor	(2,000)	
NET CASH USED IN THE ACQUISITION	**(1,718)**	

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

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

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

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

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

Accounting effects of the acquisition

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

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

	Recognised value	Book value
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipments	21	21
Property, plant and equipments under lease	383	383
Other intangible assets	57	57
Other equity investments	9	9
Other non-current assets	46	46
Deferred tax assets	78	78
TOTAL NON-CURRENT ASSETS	**595**	**595**
CURRENT ASSETS		
Inventories	902	902
Trade receivables and advances to suppliers	2,194	2,194
Current tax receivables	1	1
Other current assets	33	33
Cash and cash equivalents	2,153	168
TOTAL CURRENT ASSETS	**5,283**	**3,299**
TOTAL ASSETS	**5,878**	**3,894**
LIABILITIES		
NON-CURRENT LIABILITIES		
Equity attributable to non-controlling interest	(42)	(42)
Provisions for employee termination indemnity	264	264
Provisions for risks and charges, non-current	395	395
Long-term financial debts	482	482
TOTAL NON-CURRENT LIABILITIES	**1,099**	**1,099**
CURRENT LIABILITIES		
Short-term loans	1,530	1,530
Trade payables and contract liabilities	1,344	1,344
Current tax payables	16	16
Other current liabilities	1,951	1,951
TOTAL CURRENT LIABILITIES	**4,841**	**4,841**
TOTAL LIABILITIES	**5,940**	**5,940**
FAIR VALUE OF NET ASSETS	**(62)**	**(2,047)**
GOODWILL ARISING FROM THE BUSINESS COMBINATION	**2,047**	
AMOUNTS PAID AS AN INCREASE IN SHAREHOLDERS' EQUITY	**1,985**	
Total cost of the business combination:		
Consideration paid for capital increase	1,985	
Additional costs for the transfer	78	
TOTAL COST OF THE BUSINESS COMBINATION	**2,063**	
Net cash used in the acquisition:		
Cash and cash equivalents of the acquired company	168	
Additional costs for the acquisition	(78)	
NET CASH USED IN THE ACQUISITION	**90**	

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

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

4. Property, plant and equipment

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

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

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

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

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

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

5. Other intangible assets

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

	Other intangible assets	Goodwill	Total
At 1 January 2018, net of accumulated amortisation and impairment	**25,169**	**370,363**	**395,532**
Additions from business combinations	57	37,259	37,316
Additions from acquisitions	7,987		7,987
Disposals	(40)		(40)
Amortisation for the year	(7,539)		(7,539)
At 31 December 2018	**25,634**	**407,622**	**433,256**
At 1 January 2018			
Historical cost	109,436	372,756	482,192
Accumulated amortisation and impairment losses	(84,267)	(2,393)	(86,660)
NET BOOK VALUE	**25,169**	**370,363**	**395,532**
At 31 December 2018			
Historical cost	117,480	410,015	527,495
Accumulated amortisation and impairment losses	(91,846)	(2,393)	(94,239)
NET BOOK VALUE	**25,634**	**407,622**	**433,256**

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

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

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

	Other intangible assets	Goodwill	Total
At 1 January 2017, net of accumulated amortisation and impairment	**26,114**	**370,456**	**396,570**
Additions from acquisitions	6,501		6,501
Amortisation for the year	(7,446)		(7,446)
Others		(93)	(93)
At 31 December 2017	**25,169**	**370,363**	**395,532**
At 1 January 2017			
Cost	102,934	372,849	475,783
Accumulated amortisation and impairment losses	(76,820)	(2,393)	(79,213)
NET BOOK VALUE	**26,114**	**370,456**	**396,570**
At 31 December 2017			
Cost	109,436	372,756	482,192
Accumulated amortisation and impairment losses	(84,267)	(2,393)	(86,660)
NET BOOK VALUE	**25,169**	**370,363**	**395,532**

6. Impairment test of goodwill

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

SBU—Facility management

The SBU is identified with:

- Rekeep S.p.A.
- H2H Facility Solutions S.p.A.
- the Group controlled by Sicura S.p.A., operating in the facility management segment as supplier of specialist services
- Telepost S.p.A., a specialist company for internal mailing services
- e-Digital Services S.r.l., which is active in the sector of high technology services to businesses
- Yougenio S.r.l., which is active in the facility management for the B2C market
- Rekeep World S.r.l. and its foreign subsidiaries, dedicated to commercial development in international markets
- other minor investee companies operating in the same segment.

SBU—Laundering & Sterilization

The SBU is identified with:

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

The table below sets forth the carrying amounts of the goodwill recognized in the Consolidated Financial Statements at 31 December 2018, divided into different CGUs.

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

Facility management CGU Goodwill

The goodwill allocated to the Facility management CGU, which amounted to € 393,813 thousand at 31 December 2018, was recognized as a result of various business combinations from 2004 to date, the most important of which are listed below:

- Operation 'Palladio', which took place on 29 December 2003, involved the Group acquiring control of the business unit relating to facility management technical services previously managed by the parent company Manutencoop Società Cooperativa;
- Acquisition of MCB S.p.A., a company through which the Group established the first facility management unit for "network" customers (banks, insurance companies, etc.). In 2010, MCB S.p.A. was merged by incorporation into MP Facility S.p.A. (now H2H Facility Solutions S.p.A.);
- Acquisition of Teckal S.p.A., which was merged by incorporation into Manutencoop Facility Management S.p.A. in 2010, through which the Group strengthened the production structure of traditional facility management, in particular in the heat management service;
- Acquisition of Altair IFM S.p.A. (the most significant transaction to date), which enabled the Group to gear the customer portfolio towards large private customers. In 2010 the larger companies in the Altair sub-group were merged by incorporation into Manutencoop Facility Management S.p.A.;
- Acquisition of Gruppo Sicura S.r.l. (now Sicura S.p.A.), which paved the way for an expansion in the range of specialist facility management services in the fire prevention and accident prevention market;
- Acquisition of a fire fighting services business unit including its assets, equipment, trademarks and distinctive marks in addition to all the existing contractual relationships, from Triveneta Servizi S.r.l.. The transfer of the business unit came into effect on 1 August 2015. During 2017 a negative change on goodwill was recorded for € 93 thousand, as a result of the agreement reached to settle some disputes that had arisen in relation to this acquisition;
- On 28 February 2018, the acquisition of the majority stake of EOS Hijyen İşletmeciliği Tesis Hizmetleri Sağlık İnşaat Servis ve Mühendislik Anonim Şirketi ("EOS", of which the Group already held a stake of 50%). The Company is active in the linen rental and industrial laundering services and surgical instrument sterilization to support healthcare activities in Turkey, with a portfolio of orders already underway;
- Reverse merger of the Parent Company CMF S.p.A. by incorporation into the subsidiary Rekeep S.p.A. with statutory, accounting and tax effects starting from 1 July 2018. The operation,

defined as an "Operation Under Common Control" since it was carried out between parties subject to common control, gave rise to the recognition of a merger deficit in the assets up to the amount recorded in the Consolidated Financial Statements in which the companies involved in the merger participate, i.e. that of Manutencoop Società Cooperativa. The non-recognisable difference also gave rise to a negative equity reserve.

Laundering & Sterilization CGU Goodwill

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

- Acquisition during the 2003 financial period of a business unit dealing with the linen rental and industrial laundering and sterilization activities for public and private healthcare of LIS S.p.A., with contracts mainly located in the Marche Region.
- Acquisition during the 2006 financial period of a business unit dealing with the linen rental and industrial laundering and sterilization activities for public healthcare of Lidi Service S.p.A., the activity of which was carried out in Porto Garibaldi (province of Ferrara) plant.
- Acquisition of Omasa S.p.A. in 2007, a company operating in the market for the sterilization of surgical instruments and linen, as well as following further minor acquisitions, all made by Servizi Ospedalieri S.p.A., a company operating in the linen rental and industrial laundering and sterilisation market. Omasa S.p.A. was then merged by incorporation into Servizi Ospedalieri S.p.A. on 1 July 2009;
- On 3 July 2018, acquisition of Medical Device S.r.l., a trading company which has acquired over the years many certifications for the marketing of Class 3 medical devices, particularly critical for their intended use and requiring very complex certification procedures by Notified Bodies.

Impairment Test

Pursuant to IAS 36, goodwill is not amortised, but is tested for any possible impairment on an annual basis, or more frequently, should specific events or circumstances arise which provide evidence of an impairment loss. The impairment test, prepared by the Management and presented to the Board of Directors at the time of the approval of the draft financial statements, was carried out through the comparison between the net book value and the recoverable value of the individual CGUs/SBUs to which goodwill was allocated, determined on the basis of the discounting-back of expected future cash flows relating to the period from 2019 to 2023 and extrapolated from the Business Plan of the Rekeep Group.

The Business Plan used for the analysis described in this note was approved by the Board of Directors of Rekeep S.p.A. on 22 February 2019.

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

- The expected future cash flows, for the period from 2019 to 2023, extrapolated from the Business Plan, are derived from projected cash flows obtained through:
    - determination of the value of the forecast gross margins according to the projection of the backlog of existing service contracts, augmented by the assumption of new portfolio acquisitions;
    - estimates of changes in Net Working Capital on the basis of the target days of stock rotation, the payment of amounts due and collection of receivables.
- A terminal value used to estimate future results beyond the time horizon expressly considered. The terminal value was determined by applying a NOPLAT equal to 2023 EBIT adjusted by the average expected depreciation and amortisation and investments, net of a nominal tax rate. As regards long-term growth rates, an assumption of 1% was considered both for the Facility management SBU and for the Laundering & Sterilization SBU.

- The expected future cash flows were discounted back at a discount rate (WACC) of 8.16% for the Facility management SBU (2017: 8.04%) and at a discount rate (WACC) of 7.58% (2017: 7.05%) for the Laundering & Sterilization SBU. The WACC was determined by using the Capital Asset Pricing Model ("CAPM"), by which the risk-free rate was calculated with reference to the curve of the rates of return of Italian long-term government bonds, while the non-diversifiable systematic risk ratio (βeta) and the debt/equity ratio were extrapolated from the analysis of a group of comparable companies operating in the European facility management and laundering sector. In addition, in order to reflect the uncertainty of the current economy and the future market conditions, the cost of the equity component of the WACC rate was increased with a risk premium of 200 basis points for the Facility management SBU and 100 basis points for Laundering & Sterilization SBU in each period of time.

For all CGUs/SBUs analysed, the analysis confirmed that the recoverable value of the same exceeds the associated carrying amount, therefore not requiring any write-downs. On a prudential basis, a "Worst Case" was outlined with reference to the WACC and to the growth rates applied. However, in simulating nil or negative growth rates, also in combination with WACCs exceeding those applied by two percentage points (and, then, equal to 10.16% for Facility management and to 9.58% or Laundering & Sterilization, respectively), there would be no need to make write-downs in both CGUs/SBUs, as the recoverable value would exceed the related book value .

7. Investments valued for under the equity method

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

At 31 December 2018 the net-book value of investments valued at Equity reported a net amount of € 19,120 thousand, against a net amount of € 27,214 thousand in the previous year.

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

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

During 2018 investments accounted for under the equity method recorded a positive result of € 1,466 thousand, for the share attributable to the Group, as a result of the recognition of income from equity investments of € 1,480 thousand and write-downs of € 14 thousand. Furthermore, negative effects were recognized directly in the Consolidated Equity to an overall amount of € 315 thousand.

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

	% Ownership	Total assets	Total liabilities	Shareholders' equity	Net financial position	Revenues	Profit (loss) for the year
Palazzo della Fonte S.c.p.a.	33.3%	82,985	(45,659)	(37,326)	(39,038)	15,419	16
Roma Multiservizi S.p.A.	45.47%	46,774	(39,379)	(7,395)	(8,159)	83,692	(7,385)
Project financing companies	<50%	66,115	(64,104)	(2,011)	(42,716)	12,960	(44)

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

8. Other non-current assets

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

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

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

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

Non-current financial assets, amounting to € 5,662 thousand at 31 December 2018 (€ 11,369 thousand at 31 December 2017), are composed of:

- € 1,632 thousand of non-current financial receivables due from associates, affiliates and joint ventures (€ 7,319 thousand at 31 December 2017). The face value of these receivables is € 1,676 thousand, while the discounting fund amounts to € 44 thousand. Some of these are non-interest bearing since they were drawn down proportionally from each consortium partner and are thus discounted on the basis of their expected residual maturity, applying Eurirs as the reference interest rate, plus a spread;
- € 3,929 thousand of non-current financial receivables from third parties, substantially in line with the balance at 31 December 2017 (€ 3,949 thousand);
- € 101 thousand of securities held to maturity, which remained unchanged compared to 31 December 2017.

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

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

9. Inventories

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

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

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

10. Trade receivables, advance to suppliers and other current receivables

The following table includes the breakdown of Trade receivables and advances to suppliers and Other current operating receivables at 31 December 2018 and 31 December 2017:

	31 December 2018	of which from related parties	31 December 2017	of which from related parties
Contract assets	25,215		22,047	
Trade receivables, gross	404,894		401,322	
Allowance for doubtful accounts	(33,283)		(32,987)	
Trade receivables from third parties	**396,826**	**0**	**390,382**	**0**
Trade receivables from Manutencoop Società Cooperativa	88	88	100	100
Trade receivables from Associates	11,796	11,796	31,343	31,343
Trade receivables from joint ventures	4,142	4,142	4,280	4,280
Trade receivables from Group	**16,026**	**16,026**	**35,723**	**35,722**
Advances to suppliers	5,078	1	3,060	56
TRADE RECEIVABLES AND ADVANCES TO SUPPLIERS	**417,930**	**16,027**	**429,165**	**35,778**
Other tax receivables due within 12 months	12,845		19,767	
Other current receivables from third parties	5,845		7,542	
Short-term receivables from social security institutions	1,187		1,120	
Short-term receivables from employees	146		203	
Other current assets from third parties	**20,023**	**0**	**28,632**	**0**
Current assets from Manutencoop Società Cooperativa	10	10	45	45
Current assets from associates	103	103	664	664
Current assets from joint ventures	23	23	0	0
Other current assets from Group	**136**	**136**	**709**	**709**
Accrued income	0		0	
Prepaid expenses	2,161		1,502	
Accrued income and prepaid expenses	**2,161**	**0**	**1,502**	**0**
OTHER CURRENT ASSETS	**22,320**	**136**	**30,842**	**709**

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

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

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

On 27 December 2018 the Parent Company Rekeep S.p.A. and Servizi Ospedalieri S.p.A. signed a 3-year maturity factoring agreement with Bancafarmafactoring S.p.A concerning the assignment without recourse and on a revolving basis of receivables claimed by the same companies from entities in the National Health System and Public Administration, in an amount of up to € 200 million. The new agreement replaces the previous contract, finalized in 2016 again with Banca Farmafactoring S.p.A., which provided for an annual ceiling of up to € 100 million for the sale of receivables due only from the National Health System.

Furthermore, there were assignments without recourse of trade receivables claimed from Public Administration entities against the counterparty Banca Farmafactoring S.p.A. itself, but not linked to the contract referred to above. On 27 June 2018, the Parent Company also signed an uncommitted factoring agreement with Banca IFIS, intended for the assignment without recourse of trade receivables specifically accepted for the individual transactions carried out. Finally, on 18 December 2018 the Parent Company obtained an additional credit line for assignments without recourse of up to Euro 20 million on a revolving basis with Unicredit Factoring S.p.A., which was also aimed at the disinvestment of credit positions specifically negotiated with the factor.

The disposals made during the year are summarised below:

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

In all assignments, the assigned trade receivables were subjected to derecognition according to IFRS 9 in consideration of the characteristics of the transactions and entailed interest discount costs totalling € 2,690 thousand.

Finally, trade receivables from the Group amounted to € 16,026 thousand (€ 35,723 thousand at 31 December 2017), in addition to advances for € 1 thousand (€ 56 thousand at 31 December 2017). For more details, reference should be made to Annex III – Related Party transactions.

A specific provision for bad debts was recognized in connection with non-performing loans, which are difficult to fully recover, amounting to € 33,283 thousand at 31 December 2018 (€ 32,987 thousand at 31 December 2017). Below are the changes for the year:

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

An analysis of trade receivables at 31 December 2018 and as at the end of the previous year is provided below, broken down by maturity. The balances shown are net of the provision for bad debts.

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

Other current assets, equal to € 22,320 thousand (€ 30,842 thousand at 31 December 2017), showed a total decrease of € 8,522 thousand in the year.

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

- tax receivables, mostly relating to the VAT payments made by the Group companies (€ 11,358 thousand against € 18,095 thousand at 31 December 2017), which continue to show a credit balance given the widespread application of the regulations governing "Split-payment" and "Reverse charge" to the cycle of purchasing and sales invoicing. The decrease compared to the balance of the previous year is due to the assignments without recourse of VAT receivables of some Group companies, for a total nominal amount of € 32,910 thousand and an interest discount of € 330 thousand in 2018;
- receivables for credit balances of current accounts held at Unicredit, managed in the name and on behalf of INPDAP (Social Security Institute for employees in public administration), as envisaged in a property management contract entered into with the aforementioned authority for € 2,173 thousand. At present some restrictions have been placed on said accounts as a result of the dispute that has arisen with INPDAP. Therefore, for the purposes of an accurate presentation, it was deemed appropriate to classify said item under Other current receivables;
- R&D tax credits totalling € 712 thousand. During 2018 the Parent Company Rekeep S.p.A and subsidiary H2H Facility Solutions S.p.A., started additional R&D projects in order to improve their business and delivery of services. The projects were developed and coordinated by internal resources based on their specific skills and duties, with the involvement of specific consultants for the various areas of business and were all completed in 2018. As early as in 2017, Rekeep S.p.A. and H2H Facility Solutions S.p.A., in addition to e-Digital Services S.r.l. and Yougenio S.r.l., had started various Research and Development projects having the same key features. The tax credits accrued in that year, which amounted to € 1,079 thousand, were fully used to offset the payment of tax debts during 2018. These research projects meet the requirements laid down in Law no. 190 of 23 December 2014 (Article 1, paragraph 35), as partly amended by Law no. 232 of 11 December 2016 (Article 1, paragraphs 15 and 16), as well as in the Implementing Provisions under a Decree issued by the Ministry of Economy and Finance in agreement with the Ministry of Economic Development on 27 May 2015 and fall within the scope of the parameters set out in the Communication from the Commission (2014/C 198/01) of 27 June 2014, which was published in the Official Journal C/198 of 27 June 2014. These regulations provide for a tax credit for investments made from 1 January 2015 to 31 December 2020 in relation to the expenses incurred in excess of the average of the same investments made in the three tax periods for the financial years 2012, 2013 and 2014, to an extent of 50% of the total incremental expense.

11. Cash and cash equivalents, receivables and other current financial assets

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

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

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

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

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

- the short-term share, equal to Euro 2,650 thousand, of the deferred price referring to the sale to 3i European Operational Projects SCSp of 95% of the quota capital of MFM Capital S.r.l. (for more details, reference should be mate to note 25);
- The balance of pledged current accounts dedicated to the operation of the service for managing receipts within the scope of assignments of trade receivables without recourse, equal to € 1,576 thousand (€ 1,494 thousand at 31 December 2017);
- An overall amount of € 181 thousand of receivables from short-term loans and financial accounts held with non-consolidated Group companies (€ 302 thousand at 31 December 2017).

12. Share capital and reserves

	31 December 2018	31 December 2017
Share Capital – Ordinary shares	109,150	109,150

Ordinary shares have a nominal value of Euro 1 each. Ordinary shares issued and fully paid up at 31 December 2018 amounted to 109,149,600.

The Parent Company does not hold own shares.

Reserves and Retained Earnings

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

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

- The reserve originating from the recognition of joint operations, which includes the differences between the purchase cost and the net carrying amount of the assets acquired under business combinations between jointly-controlled entities, for a negative amount of € 244,186 thousand at 31 December 2018 (€ 45,400 thousand at 31 December 2017), for the recognition of the effects of the merger of CMF S.p.A. by incorporation into Rekeep S.p.A. during the year.
- The Parent Company's extraordinary reserve equal to € 36,961 thousand.

	Share premium reserve	Legal reserve	SE reserves companies valued at equity	Reserve for translation of financial statements in foreign currency	SORIE reserve	Other reserves	Total reserves
1 January 2017	**145,018**	**18,383**	**3,364**	**0**	**(5,231)**	**26,323**	**187,857**
Allocation of profits of previous years		1,321				(44,037)	(42,716)
Economic effects accounted on equity			(210)		(2)	(75)	(287)
31 December 2017	**145,018**	**19,704**	**3,154**	**0**	**(5,233)**	**(17,789)**	**144,854**
Allocation of profits of previous years		420			74	7,989	8,483
Increase in Equity Reserves						49,700	49,700
Business combinations "Under Common Control"						(198,261)	(198,261)
Economic effects accounted on equity			315	(309)	247		253
31 December 2018	**145,018**	**20,124**	**3,469**	**(309)**	**(4,912)**	**(158,361)**	**5,029**

The table below shows changes in *Retained earnings*:

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

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

	31 December 2018	31 December 2017
Equity attributable to minority interests	**668**	**381**
of which:		
Subsidiaries of Sicura S.p.A.	0	218
Subsidiaries of Rekeep World S.r.l.	267	0
Other subsidiaries and consortia	401	163

	31 December 2018	31 December 2017
Profit (loss) attributable to minority interests	**109**	**73**
of which:		
Subsidiaries of Sicura S.p.A.	0	73
Subsidiaries of Rekeep World S.r.l.	8	0
Other subsidiaries and consortia	101	0

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

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

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

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

13. Employee termination indemnity (TFR)

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

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

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

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

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

	31 December 2018	31 December 2017
Discount rate	1.80%	1.65%
Inflation rate	1.50%	1.50%
Estimated turnover	From 1.5% to 11.50%	From 3.5% to 11.50%

The discount rates used to assess the TFR obligation are defined on the basis of curves of rates of return of high-quality fixed-interest securities, the amounts and maturity dates of which correspond to the amounts and maturity dates of the payments of expected future benefits. In 2018 the discount rate was equal to 1.80% (1.65% in 2017).

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

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

	Discount rate	Actuarial assumptions	Employee termination indemnity
Financial year ended 31 December 2018	+ 0.25 bps	+ 0.09 pps	14,283
	- 0.25 bps	- 0.09 pps	15,103
Financial year ended 31 December 2017	+ 0.25 bps	+ 0.25 pps	15,089
	- 0.25 bps	- 0.25 pps	15,966

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

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

The average number of leased employees provided to the Group by Manutencoop Società Cooperativa was equal to no. 418 units at 31 December 2018 (31 December 2017 no. 429 units).

14. Provisions for risks and charges

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

	Risks on investments	Risks on job orders	Pending legal disputes	Tax litigation	Agents' indemnity leave	Termination employee benefits	Other provisions	Total
At 1 January 2018	**80**	**5,043**	**25,514**	**478**	**223**	**909**	**2,088**	**34,335**
Additions for business combinations			23	372				**395**
Accruals	7	1,416	2,413	435			1,260	**5,532**
Uses		(1,221)	(2,067)	(126)		(798)	(1,093)	**(5,305)**
Reversal		(715)	(2,075)				(158)	**(2,948)**
Others		107	(282)		21	282	0	**128**
At 31 December 2018	**87**	**4,630**	**23,525**	**1,160**	**244**	**394**	**2,098**	**32,137**
At 31 December 2018:								
Current	87	4,529	91	914	0	394	933	6,948
Non-current	0	101	23,434	246	244	0	1,165	25,189
At 31 December 2017:								
Current	80	4,936	290	478	0	909	17	6,711
Non-current	0	106	25,224	0	223	0	2,071	27,624

Provision for risks on investments

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

Provision for risks on job orders

This provision includes, at consolidated level:

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

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

Provision for pending disputes

At the reporting date of the financial statements, the risk was assessed for the Group to be required to pay future compensation in the event of losing cases in legal actions pending with customers, suppliers, employees and others. During the year ended 31 December 2018 the provision, totalling € 23,525 thousand, recorded increases for accruals to provisions of € 2,413 thousand, in addition to the contribution given by the first consolidation of Medical Device S.r.l. for € 23 thousand, and decreases for uses, releases and other changes totalling € 4,425 thousand.

Provisions were mainly recognised to hedge the risks involving the Parent Company Rekeep S.p.A. for € 2,228 thousand and Servizi Ospedalieri S.p.A. for € 120 thousand. Uses, releases and other changes recorded in the year relate to the use of provisions set aside in previous years against the settlement of disputes with suppliers and of actions with other persons or entities.

On 20 January 2016 AGCM considered that it had found a breach of competition rules on the part of some companies which had taken part in a European Union tender for cleaning services in school buildings called by CONSIP in 2012 and levied a fine of € 48,510 thousand against the parent company Rekeep S.p.A. (formerly Manutencoop Facility Management S.p.A.) which rejected the arguments on which the charge was based and lodged an appeal against the Authority's order with the Lazio Regional Administrative Court (*Tribunale Amministrativo Regionale*, TAR). On 14 October 2016 it ruled by partially granting the appeal filed by Rekeep S.p.A. and referring the papers to the Authority for a new calculation of the fine, with the recommendation to reduce both the related taxable base, thus limiting it to the contracted tender amount, and the percentage to be applied to the abovementioned amount, from 15% to 5%. Rekeep S.p.A. challenged the trial judgment before the Council of State; on 28 February 2017 the latter handed down its ruling, confirming the judgment issued by the Lazio Regional Administrative Court. However, Rekeep S.p.A. has also challenged the Council of State's ruling, filing an appeal with the Supreme Court on 21 May 2017. The Supreme Court has set the hearing in chambers on 23 October 2018, while it declared the appeal inadmissible on 18 January 2019. Finally, on 23 December 2016, the Authority executed the Lazio Regional Administrative Court's ruling and adopted a new order, recalculating the fine at € 14,700 thousand. This order was also challenged before the Lazio Regional Administrative Court and the Company is waiting for the hearing to be set.

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

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

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

Finally, on 2 December 2016 Consip S.p.A. formally notified the Italian Anti-Corruption Authority (*Autorità Nazionale Anti-Corruzione*, ANAC) of its accusations against Rekeep S.p.A., as notified in the notice of termination of the Agreements, together with the intention to make a report to the Public Prosecutor's Office. On 7 January 2017 the Company served a writ of summons on the entity, asking the Ordinary Court of Rome to establish the unlawfulness of the notice of termination of the agreements and order Consip S.p.A. to compensate for any damage suffered by the Company. The first hearing for the discussion of the requests submitted during preliminary investigations was held on 5 December 2017; the next hearing for specifying conclusions has been scheduled on 9 April 2019.

The next hearing has been set for 16 October 2018. The tender performance bond (initially equal to € 24.5 million) might also be partially enforced if the Company loses the case against Consip S.p.A.. After the Regional Administrative Court's judgment of 14 October 2016, which was confirmed by the Council of State's judgment of 1 March 2017, and which substantially reduced the fine that had previously been imposed while not accepting the Company's argument that it was completely extraneous to the accusations, the Directors decided to maintain the provisions for future charges in the Financial Statements at 31 December 2017 and 31 December 2018 (equal to € 17.5 million), also taking account of the risk of enforcement of the abovementioned performance bond and despite the fact that Rekeep S.p.A. could submit sound arguments against the enforcement of the bond in court. ANAC has proceeded with the entry of the contract termination, as well as of the challenge against the same on the part of Rekeep S.p.A. before the Civil Court of Rome and of the filing of an appeal with the Supreme Court against the Council of State's judgment no. 928/2017 in its computerised records.

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

Furthermore, on 30 March 2018 Consip informed Rekeep S.p.A. that it had submitted a request to the competent insurance company to enforce the Company's warranty provided in relation to the Consip Caserme tender. However, the insurance company did not grant the request following the Council of State's decision handed down on 5 April 2018, whereby both the execution of the Lazio Regional Administrative Court's decision on the exclusion of Consip Caserme and Consip Sanità tenders and the related effects (also in relation to the enforcement of sureties) have been suspended and the hearing on the merits of the Company's appeal was held on 28 June 2018. However, by a subsequent order dated 19 July 2018, the Council of State proceeded with the "improper suspension of proceedings", since it considered that the relevant decision within the dispute was that on the preliminary issue pending before the European Court of Justice, which had been raised by the Piedmont Regional Administrative Court on 21 June 2018, as to whether the breach of competition rules fell within the scope of cases of "serious errors committed in professional practice" provided for in Article 38 of the Code of Public Contracts under Legislative Decree 163 of 12 April 2006 ("Old Code of Public Contracts"). The enforcement of the judgment is still suspended, as provided for in the previous order of 5 April 2018.

In relation to the above-mentioned exclusions, ANAC (*Autorità Nazionale Anti Corruzione*, National Anti-Corruption Authority) decided to open two proceedings concerning its entry in the electronic criminal records of ANAC, as "Useful information". These proceedings were also

suspended by ANAC until the outcome on the merits mentioned above and of proceedings for the application of disqualification measures, which have also been suspended.

With reference to the events referred to above, the Directors also point out that, despite a context that is significantly affected by new regulations and more restrictive approaches with respect to the previous ones, the Company believes that a risk may actually arise mainly with regard to delays in awarding some tenders attributable to situations of further worsening of the disputes connected with the participation in or the awarding of said tenders. To date the risk of the Company being temporarily excluded from public tenders as a result of an order issued by the ANAC can be reasonably regarded as not probable, in consideration of the defence arguments discussed with the Company's legal counsels, which may be submitted both upon participation in the ANAC procedure and at the time of any possible appeal filed with administrative courts, as well as based on the rulings recently handed down by the latter, which has suspended the abovementioned exclusion measures already enacted.

The aforesaid decisions do not imply in any case any impediment for Rekeep S.p.A. to the participation and awarding of new calls for tenders by Consip and, more in general, by the Public Administration, and any other awarding procedure in progress remains absolutely valid. Moreover, on 16 June 2017, Rekeep S.p.A. received official communication from Consip to sign the agreements for the two batches of the "Consip Mies 2" tender relating to the award of an "integrated technology multi-service with energy supply for buildings used by Public Health Administrations": these agreements were formally signed on 20 September 2017 and the procedure to sign the individual supply orders was subsequently started. The Consip Sanità and Consip Caserme tenders did not generate consolidated Revenues until 31 December 2018 and are not included in the Group's backlog at 31 December 2018.

Finally, on 23 March 2017 AGCM notified Rekeep S.p.A. of the initiation of a preliminary investigation procedure against CNS – Consorzio Nazionale Servizi Società Cooperativa, Dussmann Service, S.r.l., Engie Servizi S.p.A. (formerly Cofely Italia S.p.A.), ManitalIdea S.p.A., Rekeep S.p.A., Romeo Gestioni S.p.A. e STI S.p.A. in order to establish whether these companies implemented any possible understanding restricting competition, concerning the coordination of the procedures to participate in the tender launched by Consip in 2014 for awarding the Facility Management services to be rendered to the properties that are mainly intended for office use on the part of the Public Authorities ("FM4 Tender").

To date AGCM has started preliminary investigations and has allowed the Companies to access the papers of the proceedings, as well as held a hearing for the Company on 24 April 2018. By an order of 22 November 2017 the Competition Authority also extended, both objectively and subjectively, the proceedings that had already been started. By an order of 18 April 2018, the Authority further subjectively extended the proceedings and postponed on more than one occasion the time limit for the conclusion which, by the last order of 8 February 2018, was further postponed to 20 April 2019, setting the date for the final hearing at 12 March 2019. The Company firmly rejects the arguments holding an alleged collusive agreement with the other companies involved in the proceedings. The Directors believe that in no case are the requirements met in terms of probability, as well as of reliable estimate, required by the international accounting standards to set aside a provision for risks.

The Directors believe that there are no significant uncertainties for the purposes of assessing whether the Company meets the going-concern principle, as they fully rely on the arguments discussed with its own legal counsels and have also considered the financial soundness of the Company and of the Group, as well as the substantial amount of contracts that had already been gained as at the reporting date of the Consolidated Financial Statements.

Provision for termination employee benefits

This provision has been set aside to include the amounts due for severance and employee redundancy costs, as part of the sundry restructuring plans implemented by some Group companies over the last few years. The provision recorded a balance equal to € 394 thousand at

31 December 2018, against total uses of € 798 thousand in the year, in addition to other changes of € 282 thousand. At 31 December 2017 the Group had recognized provisions totalling € 909 thousand, of which € 407 thousand relating to the corporate reorganisation process started by Sicura S.p.A. and fully used during the year under review.

Provision for tax disputes

The changes in business combinations (€ 372 thousand) concerned Medical Device S.r.l., which was acquire during the year, also entailing uses of € 126 thousand. On 14 June 2018 the Italian Tax Police, Bologna Finance Police Unit, started a tax audit involving the subsidiary H2H Facility Solutions S.p.A., concerning the 2015 tax year (which was subsequently also extended to the 2013, 2014, 2016, 2017 and 2018 tax years) for income tax, VAT and IRAP (Regional Production Activity) tax purposes. On 18 October 2018, upon the completion of the audit, the Tax Police served a Report of Findings on the Company; in consideration of the dispute still pending with the Revenue Agency, the Company deemed it appropriate to set aside a specific provision for risk totalling € 435 thousand, relating to some remarks at the reporting date of the 2018 financial statements.

Other provisions for risks and charges

The provision, amounting to € 2,098 thousand at 31 December 2018, of which € 933 thousand in Rekeep S.p.A. and € 432 thousand in Sicura S.p.A., related to the reorganisation of the company structure, which also involved the sales network, which entailed uses of € 1,040 thousand and additional provisions against future charges of € 288 thousand during the year.

15. Derivatives

At 31 December 2018, the Group did not record any derivative assets or liabilities.

16. Borrowings, loans and other current financial liabilities

The items *Non-current loans* and *Loans and other current financial liabilities* include both the non-current and current portion of loans from credit institutions and consortium members, respectively. Furthermore, in application of the financial method of recognizing leases, payables to other lenders are included, as well as other current debt balances of a financial nature such as, for example, the debt for the acquisition of investments or business units and the liability for dividends to be paid.

The tables below set forth the qualitative breakdown by current and non-current financial liabilities at 31 December 2018 and at 31 December 2017.

	31 December 2018	within 1 year	from 1 year to 5 years	after 5 years
Senior Secured Notes	346,475		346,475	
C.C.F.S. loan	10,000		10,000	
Artigiancassa loan	1,676		958	718
Other bank loans	778	704	74	
Prepaid interest expenses	(1,125)	(512)	(613)	
Accrued interest expense	1,700	1,700		
Long-term bank borrowings and current portion of long-term bank borrowings	**359,504**	**1,891**	**356,894**	**718**
Current account overdrafts, advance payments and hot money	5,247	5,247		
Finance lease obligations	3,577	451	1,604	1,523
Loans from syndicated shareholders	1,217	483	87	647
Loan from Parent Company				
Manutencoop Società Cooperativa	216	216		
Other financial liabilities	7	7		
Obligations from assignments of trade receivables with recourse	18,379	18,379		
Amounts collected on behalf of assignees of trade receivables	9,934	9,934		
Options on subsidiaries' minority shareholdings	214		214	
Debt for the acquisition of investments / business units	756	756	0	0
TOTAL FINANCIAL LIABILITIES	**399,053**	**37,366**	**358,799**	**2,888**

	31 December 2017	within 1 year	from 1 year to 5 years	after 5 years
C.C.F.S. loan	5,000		5,000	
Prepaid interest expenses	(1,024)	(316)	(708)	
Accrued interest expense	230	230		
Long-term bank borrowings and current portion of long-term bank borrowings	**4,206**	**(86)**	**4,292**	**0**
Proceeds Loan from CMF S.p.A.	168,562	704	167,858	
Current account overdrafts, advance payments and hot money	6,000	6,000		
Finance lease obligations	3,622	491	1,362	1,769
Loans from syndicated shareholders	369	369		
Loan from parent company Manutencoop Società Cooperativa	225	225		
Other financial liabilities	13	13		
Obligations from assignments with recourse	29,999	29,999		
Due to factoring agencies	4,902	4,902		
Debt for the acquisition of investments/business unit	66	66		
Share capital to be paid into investee companies	482	482		
TOTAL FINANCIAL LIABILITIES	**218,446**	**43,165**	**173,512**	**1,769**

Senior Secured Notes (Rekeep S.p.A.)

During the last quarter of the 2017 financial year the parent company Manutencoop Società Cooperativa carried out a corporate reorganisation and refinancing of the entire Manutencoop Group.

The corporate reorganisation involved the transfer of the shares held by Manutencoop Società Cooperativa in the Parent Company Rekeep S.p.A. to a newly-established corporate SPV named CMF S.p.A., which is now the direct Parent Company of Rekeep S.p.A. itself. Specifically, CMF S.p.A. was established for the launch of a Senior Secured bond issue aimed at repurchasing the Notes already issued by the Parent Company Rekeep S.p.A. in 2013, as well as at purchasing the shares held by the minority interests in the share capital of the Parent Company Rekeep S.p.A. and repaying the other financial debt of the entire Group controlled by Manutencoop Società Cooperativa.

On 6 July 2017, CMF S.p.A. launched a high-yield bond issue named "*€360,000,000 9.0% Senior Secured Notes due 2022*", which is not convertible and not subordinated, for a total amount on account of principal of € 360 million and due 15 June 2022. The Notes, which were reserved for institutional investors and were listed on the 'Euro MTF segment managed by the Luxembourg Stock Exchange, as well as on the Extra MOT, Pro Segment, of Borsa Italiana, were issued at a price equal to 98% and a coupon at a fixed rate of 9.0% p.a., payable on a six-monthly basis. The terms and conditions referred to in the rules of the Bond Issue are laid down in the Indenture, which is governed by the law of the State of New York. This bond issue was initially deposited by Bank of New York in escrow account, until the release of the same on 13 October 2017. On the same date Rekeep S.p.A. received from CMF S.p.A. a Proceeds Loan amounting to € 190,300 thousand, subsequently partially repaid, which allowed it, at the same time as the use of a portion of its own Cash and cash equivalents, to have sufficient liquidity to proceed with an early redemption of the Notes issued in 2013.

At the same time, using the remaining portion of cash acquired through the subscription of the Notes, CMF S.p.A. completed the acquisition of the shares held by Institutional Investors in the share capital of Rekeep S.p.A. (equal to 33.2%), thus becoming the sole shareholder of Rekeep S.p.A..

As required by the Offering Memorandum for the bond issue, on 1 July 2018 the Group completed the merger of CMF S.p.A. by incorporation into its subsidiary Rekeep S.p.A., according to Article 2501-*bis* (merger with debt), thus giving rise to the simultaneous repayment of the Proceeds Loan (amounting to € 174,220 thousand upon the merger) and the acquisition directly by Rekeep S.p.A. of the bond issue, together with any related obligations and guarantees described below in this paragraph and in note 15.

In consideration of this transaction, the Parent Company Rekeep S.p.A. stated the debt for the Senior Secured Notes at a book value of € 344,871 thousand, against a debt on account of principal of € 360,000 thousand, net of the adjustment relating to the amortised cost for € 15,129 thousand. Furthermore, the year saw the recognition of financial costs for amortised cost in accordance with IFRS9 for € 1,604 thousand, as well as of financial costs for interest accrued in the year, equal to € 16,200 thousand. The year also saw the due payment of the coupons on 15 June 2018 (on the part of CMF S.p.A.) and on 15 December 2018.

The rules of the bond issue provide for a system of guarantees and covenants to protect the Bondholders' investment. There are in fact some limitations on the financial operations of the Issuer and of its subsidiaries, while allowing the Group to operate freely, provided that the operations carried out contribute added value and cash flows to the Group, at least potentially. These covenants substantiate in some limitations on the possibility of incurring new indebtedness and making distribution of dividends, investments and some types of payments outside the Restricted Group (restricted payments). Furthermore, there are also rules governing the allocation of sums obtained from the sale of fixed assets, the performance of non-recurring and related-party transactions and the release of collateral on corporate assets to third parties. The

covenants in question substantiate in the compliance with certain financial parameters (incurrence base financial covenants), the fulfilment of some conditions or the application of a quantitative limit on the performance of the transactions referred to above rather than in a full prohibition on carrying out the aforesaid transactions. Finally note interim reporting obligations concerning the Group's financial position, results of operations and cash flows. The limits and provisions laid down in the rules of the bond issue are in line with market practice for similar operations. The failure by the Issuer to comply with one or more covenants, in addition to significant events that give rise to a state of insolvency, constitute default events. There is the possibility of remedying most of them within a certain period of time. The default event relating to the state of insolvency or the failure to remedy the other default events constitute grounds for *acceleration*, i.e. the beneficiary's forfeiture of the right to the time limit and the early redemption of the Notes. No default events had occurred and the financial parameters, which are not subject to periodic audits, had been in any case complied with at the reporting date of these Financial Statements.

Proceeds Loan (Rekeep S.p.A.)

At the same time as the bond issue, CMF S.p.A. granted, in the last quarter of 2017, an intercompany loan to Rekeep S.p.A. (Proceeds Loan) in a nominal amount of € 190,300 thousand.

The Proceeds Loan has now been repaid following the above-mentioned merger of CMF S.p.A. by incorporation into Rekeep S.p.A. with effect from 1 July 2018. On that date the residual book value of the Proceeds Loan amounted to € 166,899 thousand, against a debt on account of principal of € 174,220 thousand (following partial repayments that took place in December 2017 and June 2018), net of the adjustment relating to the amortised cost for € 7,321 thousand.

In consideration of this Proceeds Loan, the Parent Company also sustained additional costs for the issue in an initial total amount of € 9,121 thousand, charged back by CMF S.p.A. in proportion to the proceeds reserved for it (equal to 52.86% of total issue), accounted for according to the amortised cost, which gave rise to amortisation costs of € 810 thousand and payment of interest for € 7,869 thousand in 2018.

Super Senior Revolving Credit Facility (RCF)

At the same time as the bond issue, the controlling company CMF S.p.A. also entered, as the Parent Company, into a Super Senior Revolving loan agreement with Unicredit Bank AG (RCF), to which Rekeep S.p.A. was a party as Borrower. As from the effective date of the merger of CMF S.p.A. by incorporation into its subsidiary Rekeep S.p.A., the latter acquired the ownership of the line of credit under consideration.

The 5-year credit facility (expiring on 15 December 2021) provides for a credit line at sight, in a maximum nominal amount of € 50 million, for the entire term. The facility was activated in order to meet temporary cash requirements (if any) and therefore ensures greater financial flexibility.

After the merger of CMF S.p.A. by incorporation into subsidiary Rekeep S.p.A., Servizi Ospedalieri S.p.A. may also access the Super Senior Revolving credit facility, providing a specific personal security.

The Super Senior Revolving loan agreement provides for compliance with a financial covenant, which is preliminary to the possible use of the line granted. This financial covenant is in line with the market practice for similar financing transactions and is recognised on a quarterly basis on the basis of the data relating to the last 12 months, as resulting from the financial position, results of operations and cash flows approved during the quarter prior to the date of the application for use of the credit facility. On the reporting date of these financial statements the financial covenants had been complied with and no use of the facility had been requested from the execution of the agreement.

Prepaid financial expense

At 31 December 2018 the Group recognised prepaid interest expenses of € 1,125 thousand.

Then CMF S.p.A. charged back all the costs concerning this financing back to the Parent Company Rekeep S.p.A. (equal to € 1,000 thousand upon issue), which were also amortised on a straight-line basis throughout the term of the credit facility. This amortisation affected the 2018 financial year for € 240 thousand and the residual amount of these costs constituted a prepaid expense of € 708 thousand at the reporting date of the Consolidated Financial Statements.

Accrued interest expense

At 31 December 2018 the Group also recognised accrued interest expense for € 1,700 thousand, of which € 1,440 thousand relating to the amount accrued on the coupon of the Senior Secured Notes due 15 June 2019.

C.C.F.S. loan (Rekeep S.p.A.)

On 14 November 2017 the Parent Company Rekeep S.p.A. signed a loan agreement with CCFS for a total amount of € 10 million. The loan includes two lines of credit, the first of which, amounting to € 5,000 thousand, was disbursed at the same time as the execution and will expire in April 2023. The second 66-month line of credit, for an additional amount of € 5,000 thousand, was disbursed on 13 February 2018, and provides for the repayment in six-monthly instalments, with a pre-amortisation period of 12 months This loan is backed by a pledge on the shares of subsidiary H2H Facility Solutions S.p.A..

Artigiancassa loan (Rekeep S.p.A.)

On 21 June 2018 the Parent Company obtained a soft loan from the "Energy and Mobility Fund" of the Marche Regional Government, aimed at supporting the development of energy efficiency of healthcare units. This soft loan is disbursed partly in the form of an 8-year financing on the part of Artigiancassa S.p.A. for an amount of € 1,676 thousand and a pre-amortisation period of 12 months. The loan does not bear interest and provides for the payment of 14 six-monthly instalments falling due on 31 March and 31 December of each year.

Other bank loans

Other loans amounted to € 778 thousand at 31 December 2018, relating to an amount of € 668 thousand for a loan initially entered into by Rekeep S.p.A. with Deutsche Bank S.p.A. for an amount of € 1,000 thousand on 3 August 2018, due August 2019, at a rate equal to the 1-month EURIBOR plus a spread of 1.50%. Furthermore note bank loans for lower amounts relating to subsidiary Medical Device S.r.l. (€ 111 thousand at 31 December 2018, of which € 72 thousand relating to a loan for the purchase of capital goods which benefits from the grants provided for under the Sabatini Act).

Current account overdraft, advance payments and hot money

At 31 December 2018 this item showed a balance of € 5,247 thousand, against an amount of € 6,000 thousand at the end of the previous year.

Bank overdrafts and advance payments are not backed by guarantees. Their management is linked to temporary cash requirements within inflows and outflows on the reporting date.

Obligations arising from finance lease

The lease agreements entered into are not secured and refer to the companies Servizi Ospedalieri S.p.A., Sicura S.p.A., the Turkish subsidiary EOS and Medical Device S.r.l.. They refer to motor vehicles and plant and machinery, mainly relating to Servizi Ospedalieri S.p.A. that uses them in the laundering and sterilization production processes.

As a result of the business combinations that took place during 2018, a finance lease debt was consolidated for € 401 thousand, of which an amount of € 52 thousand relating to EOS and to capital goods used in Turkey and an amount of € 349 thousand relating to capital goods and a property granted under a lease to Medical Device S.r.l..

Syndicated loans

This item refers to financing provided by the consortium members, which are minorities in the consortium companies included within the scope of consolidation, since they are owned or held in joint venture at 50%. In certain cases, these loans are non-interest-bearing loans and are repayable on request. In other cases, they have a contractually defined maturity and, in others still, they do not have a contractually defined maturity but will essentially be repayable at the end of the long-term service contract, on the basis of which the consortium company was established. The balance of this item, equal to € 1,217 thousand, increased by € 848 thousand compared to 31 December 2017, as a result of the allocation of the shareholder loan to subsidiaries Elene Project S.r.l. (€ 351 thousand) and Energy Saving Valsamoggia S.r.l. (€ 296 thousand) during the year, as well as of payables to minority quotaholders of Medical Device S.r.l. (€ 190 thousand).

Due to factoring agencies

This item includes receipts from customers on receivables assigned within the factoring of trade receivables without recourse, in relation to which the Parent Company Rekeep performs the collection service. The amounts collected (equal to € 9,934 thousand at 31 December 2018) were transferred to the factor in the first days of the month after the end of the financial year.

Obligations from assignments of receivables with recourse

The Parent Company Rekeep S.p.A. entered into an agreement for the assignment with recourse of trade receivables with Unicredit Factoring S.p.A., concerning receivables from Public Authorities, in 2015. During 2018 assignments with recourse were made with regard to trade receivables at a nominal value of receivables of € 62,677 thousand. At 31 December 2018 the Group showed obligations arising from assignments with recourse of receivables equal to € 18,379 thousand (€ 29,999 thousand at 31 December 2017).

Options on subsidiaries' minority shareholdings

The options on subsidiaries' minority shareholdings were recognised for an amount of € 214 thousand at 31 December in relation to the estimated liability linked to the Put option held by the minorities of Manutencoop France S.a.r.l. (whose shareholding of 30% was transferred to third parties on 15 January 2018 under an Investment Agreement signed in 2017). This option may be exercised between 30 June 2021 and 30 June 2023.

Share capital to be paid into investee companies

The Group recognized liabilities for capital contribution still to be paid to the Integra Consortium for € 482 thousand at 31 December 2017, which was paid in full during 2018.

Debt for the acquisition of investments/business units

This item amounted to € 756 thousand at 31 December 2018 and mainly related to the remaining amount of the consideration that Sicura S.p.A. paid the third-party shareholder for the purchase of the residual minority interest in subsidiary Evimed S.r.l. (€ 690 thousand).

17. Trade payables, contract liabilities and other current payables

The table below sets forth the breakdown of the item at 31 December 2018 and 31 December 2017:

	31 December 2018	of which to related parties	31 December 2017	of which to related parties
Trade payables	360,959		340,362	
Trade payables to third parties	**360,959**	**0**	**340,362**	**0**
Trade payables to Manutencoop Società Cooperativa	9,026	9,026	12,450	12,450
Trade payables to associates and joint ventures	11,603	11,603	26,069	26,069
Trade payables to the Group	**20,629**	**20,629**	**38,519**	**38,519**
Contract liabilities	18,014	98	14,141	0
TRADE PAYABLES AND CONTRACT LIABILITIES	**399,602**	**20,727**	**393,022**	**38,519**
Fees due to directors and statutory auditors	306		531	
Tax payables	9,925		9,323	
Payables to social security institutions within 12 months	9,895		9,823	
Other payables to TJA	10,019		6,824	
Payables to employees within 12 months	47,820		48,974	
Other payables within 12 months	9,054		14,643	
Property collection on behalf of customers	2,176		2,176	
Other current operating payables to third parties	**89,195**	**0**	**92,294**	**0**
Other current payables to Manutencoop Società Cooperativa	28	28	42	42
Other payables to associates and joint ventures	2	2	(10)	(10)
Other current operating payables to Group	**30**	**30**	**32**	**32**
Accrued expenses	9		8	
Deferred income	1,126		1,081	
Accrued expenses and deferred income	**1,135**	**0**	**1,089**	**0**
OTHER CURRENT LIABILITIES	**90,360**	**30**	**93,415**	**32**

Trade payables do not accrue interest and are settled, on average, 90/120 days from the invoice date. The other payables are non-interest bearing payables and are settled, on average, after 30 days, excluding payables due to employees for accrued 13th and 14th monthly pay and holidays paid at 6 months on average, and the amounts due to the Tax Authorities.

Trade payables and contract liabilities recorded an overall increase of € 6,580 thousand which are mainly contributed to by trade payables to third parties for € 20,597 thousand, partially offset by a decline in the debt exposure to other Group companies, equal to € 17,890 thousand (for more details on trade payables to the Group, reference should be made to Annex III, Related-party Transactions).

Other current liabilities showed a balance of € 90,360 thousand at 31 December 2018 (€ 93,415 thousand at 31 December 2017) and are mainly made up of the following items:

- payables to employees of € 47,820 thousand (€ 48,974 thousand at 31 December 2017) including the current monthly salaries to be paid in the months after the end of the year, as well as payables for additional monthly salaries to be paid (a portion of the 14th salary, to be paid in the month of July, and the 13th salary, to be paid each year in the month of December). Furthermore, the corresponding payables to social security institutions were recognized for € 9,895 thousand (€ 9,823 thousand at 31 December 2017);
- payables to tax authorities for € 9,925 thousand, mainly relating to the balance of payables for VAT payments on the part of some Group companies and of the IRPEF tax payable for employees (€ 9,323 thousand at 31 December 2017);
- receipts on behalf of Temporary Associations of Companies (ATI) for € 10,019 thousand, which relate to the amounts collected by the Group, on behalf of third parties, mostly relating to job orders under "CONSIP" agreements (€ 6,824 thousand at 31 December 2017);
- Finally, "*Other payables within 12 months*", equal to € 9,054 thousand at 31 December 2018, mainly include the payable related to the Competition Authority fine of € 4,417 thousand following the dismissal by the Lazio Regional Administrative Court of the request for suspension of the payment made by Rekeep S.p.A. (for further details, refer to the previous note 14). Moreover, the Competition Authority intervened with measure of 28 April 2017 by allowing to pay the fine in 30 monthly instalments at the legal interest rate of currently 0.1%. Rekeep S.p.A. also proceeded with the due payment of monthly instalments.

18. Revenue from contracts with customers

The table below sets forth the breakdown of the item for the years ended 31 December 2018 and 31 December 2017:

	For the year ended	
	31 December 2018	**31 December 2017**
Revenues from product sales	17,440	11,107
Service revenues	810,988	785,370
Revenues from construction activities and plant installation	79,465	79,923
Other sales revenues	35,847	39,727
REVENUE FROM CONTRACT WITH CUSTOMERS	**943,740**	**916.127**

At 31 December 2018 *Revenue from contracts with customers* amounted to € 943,740 thousand (€ 916,127 thousand at 31 December 2017).

The item increased by € 27,613 thousand, which was particularly contributed to by the Healthcare sector, due to new orders.

19. Other revenues

The table below sets forth the breakdown of the item for the years ended 31 December 2018 and 31 December 2017:

	For the year ended	
	31 December 2018	31 December 2017
Grants	605	819
Asset capital gains	161	313
Recovery of costs — seconded personnel	204	275
Compensation for damages	4,469	320
Revenues for leases and rentals	16	32
Other revenues	687	205
OTHER REVENUES	**6,142**	**1,964**

At 31 December 2018 the balance of *Other revenues* amounted to € 6,142 thousand compared to € 1,964 thousand in 2017, showing an increase of € 4,178 thousand.

The 2018 financial year saw the recognition of proceeds from compensation for damages from third parties.

On 23 November 2018 Consip S.p.A. paid Rekeep S.p.A. an amount of € 4,274 thousand, by bank transfer, as compensation for the damage suffered by the same within a tender launched by Consip S.p.A. in 2010. This amount was entirely recognised in the income statement for the 2018 financial year. In particular, Rekeep S.p.A. (Manutencoop Facility Management S.p.A. at that time) filed an appeal against the ruling handed down by the Lazio Regional Administrative Court that had admitted competing temporary business associations (ATI, *Associazioni Temporanee di Impresa*) for Lot 3 and Lot 6 of the public competitive procedure relating to the award of contracts for facility management services for properties used mainly for office use and used by Public Authorities for any reason ("Facility Management 3"), for which the Company was not the winning bidder. On 23 December 2013, the Appellate Court granted the appeal and, on the assumption that these associations should have been excluded, annulled the award of contracts for the aforementioned Lots. On 23 January 2014, after having been formally asked to comply with said ruling, Consip S.p.A. instead decided to proceed, against Manutencoop Facility Management S.p.A., to establish whether the aforesaid associations that had been the winning bidders met the reference requirements and, if so, to award the contracts for the Lots being disputed to these associations once again, while also denying our Company's right to get first place in the ranking of the tender. The Company therefore filed an appeal for compliance, which was accepted in full by the Council of State by a judgment issued on 1 April 2015, which established that Consip S.p.A. had clearly circumvented the 2013 ruling and that the actions it had taken subsequently were null and void, in addition to the applicant's right to take over the Agreement. Furthermore, the judgment also ordered Consip S.p.A. to pay compensation for any damage suffered, which was set, as regards the loss of profits, at a percentage of 3% of the value of each individual Lot and therefore amounting to € 2,100 thousand for Lot 3 and € 2,085 thousand for Lot 6, with monetary revaluation of the claim. This judgment, which was served on and executed against Consip S.p.A. on 17 April 2015, has never been complied with, nor has the Company ever been allowed to effectively take over the execution of the work referred to in these lots. Consip S.p.A. subsequently filed appeals for revocation and recourse with the Supreme Court, which were both rejected on 22 January 2018 and 29 March 2017, respectively. Finally, on 27 September 2018 Rekeep S.p.A. filed an appeal for compliance against Consip S.p.A. to seek payment of the sums due (in addition to interest and additional charges) and the appointment of an *ad acta* commissioner who should proceed to execute the 2015 judgment in the event of the unsuccessful expiry of the time limits granted to Consip S.p.A.. Given the above-mentioned payment of the sums due, the Council of State formally declared the dispute settled on 13 December 2018.

20. Costs of raw materials and consumables

The breakdown of the item is shown below for the years ended 31 December 2018 and 31 December 2017:

	For the year ended	
	31 December 2018	31 December 2017
Fuel consumption	52,535	45,022
Consumption of raw materials	67,803	57,887
Purchase of semi-finished/finished products	1,711	298
Purchase of auxiliary materials and consumables	13,358	13,897
Packaging	1,875	1,898
Change in inventories of fuel and raw materials	(285)	(1,675)
Other purchases	3,147	2,415
CONSUMPTION OF RAW MATERIALS AND CONSUMABLES	**140,144**	**119,742**

At 31 December 2018 the item amounted to € 140,144 thousand compared to € 119,742 thousand at 31 December 2017. The increase, equal to € 20,402 thousand, was mainly due to the higher consumption of raw and auxiliary materials as a result of the integrated service contracts that were mostly developed during the current financial year.

21. Costs for services and use of third party assets

The breakdown of the item is shown below for the years ended 31 December 2018 and 31 December 2017:

	For the year ended	
	31 December 2018	31 December 2017
Third-party services	219,686	221,594
Consortia services	6,062	10,754
Equipment maintenance and repair	7,926	7,244
Professional services	38,976	39,238
Statutory Auditors' fees	321	307
Transport	7,846	7,870
Advertising and promotion	992	241
Bonuses and commissions	2,079	2,201
Insurance and sureties	5,421	4,474
Bank services	318	290
Utilities	6,828	6,860
Travel expenses and reimbursement of expenses	4,421	3,956
Employee services	6,866	6,749
Other services and contingent items	(491)	(828)
Costs for services	**307,251**	**310,950**
Rent expense	13,061	13,075
Rentals and other	4,946	4,233
Costs for leased assets	**18,007**	**17,308**
COSTS FOR SERVICES AND USE OF THIRD PARTY ASSETS	**325,258**	**328,258**

For the year ended 31 December 2018 *Costs for services and use of third party assets* totalled € 325,258 thousand, marking a decrease of € 3,000 thousand compared to the previous year, mainly due to lower costs for consortia and professional services. Specifically, with reference to the services rendered by consortia, note a reduction in the costs charged back to subsidiary Servizi Ospedalieri S.p.A. following the winding-up of a consortium that was not consolidated during the year.

During 2017 non-recurring costs for professional services incurred by the Parent Company Rekeep S.p.A. were recognised against the early redemption of the Senior Secured Notes issued in 2013, as were costs for consultancy advice relating to the Proceeds Loan granted by CMF S.p.A. for a total of € 4,332 thousand.

During 2018 the Parent Company Rekeep S.p.A and subsidiary H2H Facility Solutions S.p.A. started additional R&D projects in order to improve their business and delivery of services. The projects were developed and coordinated by internal resources based on their specific skills and duties, with the involvement of specific consultants for the various areas of business and were all completed in 2018. As early as in 2017, Rekeep S.p.A and H2H Facility Solutions S.p.A., in addition to e-Digital Services S.r.l. and Yougenio S.r.l., had started various R&D projects having the same key features. These research projects meet the requirements laid down in Law no. 190 of 23 December 2014 (Article 1, paragraph 35), as partly amended by Law no. 232 of 11 December 2016 (Article 1, paragraphs 15 and 16), as well as in the Implementing Provisions under a Decree issued by the Ministry of Economy and Finance in agreement with the Ministry of Economic Development on 27 May 2015 and fall within the scope of the parameters set out in the Communication from the Commission (2014/C 198/01) of 27 June 2014, which was published in the Official Journal C/198 of 27 June 2014. These regulations provide for a tax credit for investments made from 1 January 2015 to 31 December 2020 in relation to the expenses incurred in excess of the average of the same investments made in the three tax periods for the financial years 2012, 2013 and 2014, to an extent of 50% of the total incremental expense. Tax credits accrued during the year allowed the recognition of proceeds of € 712 thousand among "*Other costs for services*". The tax credits for 2017, which amounted to € 1,079 thousand, have been used in full to offset the payment of a tax debt during 2018.

Finally, as early as in previous years, the Group changed the mix of production factors in the performance of certain activities, with a change in favour of the cost of labour, as described in detail under note 22 below.

22. Personnel costs

The breakdown of the item is shown below for the years ended 31 December 2018 and 31 December 2017:

	For the year ended	
	31 December 2018	**31 December 2017**
Wages and salaries	258,204	250,768
Social security charges	81,471	77,801
Secondment costs	32,645	30,426
ESI paid to INPS (National Social Security Institute) and to funds	14,635	14,539
Directors' fees	1,655	1,193
Other personnel costs	1,170	1,857
Current benefits	**389,780**	**376,584**
Employee termination indemnity provision	1,073	935
Subsequent benefits	**1,073**	**935**
Employment termination benefits	1,695	4,619
Employment termination benefits	**1,695**	**4,619**
PERSONNEL COSTS	**392,548**	**382,138**

Al 31 dicembre 2018, Personnel Costs, equal to € 392,548 thousand, showed an increase of € 10,410 thousand compared to the previous year (when they amounted to € 382,138 thousand).

The total change in Group personnel costs is necessarily correlated to the cost of services, as the mix of production costs linked to "internal" work (i.e. work performed by employees of Group

companies) and "external" work (i.e. work performed by third-party providers) can change significantly according to organisational changes aimed at increasing overall productivity.

The ratio between *Revenues from sales and services* and the total amount of costs for internal personnel ("*make*") and services costs ("*buy*") relating to third-party services, services provided by consortia and professional services, came to 144% at 31 December 2018 against 141% at 31 December 2017. The "make-or-buy ratio" shows that the Group is continuing to implement an organisational preference for producing by greater recourse to internal production factors than to purchasing services from external sources.

Furthermore the item includes the costs linked to the incentive system established in 2018 reserved for the top and middle management of the major Group companies for € 2,954 thousand. This item included costs linked to a non-recurring bonus disbursed to employees in relation to the complex reorganisation process of the Manutencoop Società Cooperativa Group for € 3,809 thousand at 31 December 2017.

23. Other operating costs

The breakdown of the item is shown below for the years ended 31 December 2018 and 31 December 2017:

	For the year ended	
	31 December 2018	31 December 2017
Capital losses on disposals of assets	25	19
Other taxes	1,648	2,277
Fines and penalties	1,752	1,341
Credit Discount on assignments of receivables	36	0
Other operating costs and contingent items	3,199	(3,356)
OTHER OPERATING COSTS	**6,660**	**281**

Other operating costs amounted to € 6,660 thousand, showing an increase of € 6,379 thousand compared to the previous year (€281 thousand at 31 December 2017).

It should be recalled that at 31 December 2017 "*Other operating costs and contingent items*" included the contingent asset relating to costs for "*Oneri di Sistema*" charges allocated in previous years for € 6,152 thousand.

This item did not report any significant change, net of this non-recurring benefit, compared to the previous year.

24. Amortization/depreciation, write-downs and write-backs of assets

The breakdown of the item is shown below for the years ended 31 December 2018 and 31 December 2017:

	For the year ended	
	31 December 2018	31 December 2017
Amortisation of intangible assets	7,539	7,446
Depreciation of property, plant and equipment	20,261	19,317
Write-downs of receivable, net of releases	2,982	3,200
Other write-downs	340	317
AMORTIZATION/DEPRECIATION, WRITE-DOWNS AND WRITE-BACKS OF ASSETS	**31,122**	**30,280**

At 31 December 2018 the item *Amortization/depreciation, write-downs and write-backs of assets* amounted to € 31,122 thousand compared to € 30,280 thousand at 31 December 2017. The changes that were reported in the breakdown of the item entailed an overall increase in the charges recognised compared to the balance recorded at 31 December 2017, equal to € 842 thousand. Specifically note the following:

- an increase in amortization/depreciation for a total of € 1,037 thousand, mainly attributable to property, plant and equipment;
- a decrease in the write-downs of receivables made for € 218 thousand during the year;
- an increase in other write-downs, mainly concerning non-trade receivables for € 23 thousand.

25. Dividends, income and losses from investments

The breakdown of the item is shown below for the years ended 31 December 2018 and 31 December 2017:

	For the year ended	
	31 December 2018	31 December 2017
Dividends	628	175
Capital gains (capital losses) from sale of equity investments	(1,471)	0
DIVIDENDS, INCOME AND LOSSES FROM INVESTMENTS	**(843)**	**175**

In 2018, dividends were collected from other companies not included under the scope of consolidation. They amounted to € 628 thousand, € 291 thousand of which from investee companies of the Parent Company Rekeep S.p.A., € 79 thousand from investee companies of Servizi Ospedalieri S.p.A. and € 258 thousand collected from the transferred holding company MFM Capital S.r.l..

Capital gains (capital losses) from sale of equity investments included, in 2018, the difference between the book value of equity investments stated in the consolidated Financial Statements and the consideration obtained from the transfer of interests in subsidiaries, associates and other investees previously held by Rekeep S.p.A. to third parties. Specifically:

- on 20 July 2018 the Parent Company transferred 31.98% of the share capital of Progetto ISOM S.p.A. to Sinloc – Sistema Iniziative Locali S.p.A., formerly the shareholder of the company, for a consideration totalling € 6,052 thousand, which was collected in full upon the closing;
- on 28 December 2018 Rekeep S.p.A. transferred a quota of 95% of the capital held in MFM Capital S.r.l. to 3i European Operational Projects SCSp, following the transfer to it of the major investments in the project finance and service concession companies, i.e. Synchron Nuovo San Gerardo S.p.A., Arena Sanità S.p.A., Genesi Uno S.p.A., Sesamo S.p.A., Terza Torre S.p.A. and Alessandria Project Value S.r.l.. The transfer took place for a consideration of € 9,137 thousand, which was collected in full, in addition to a deferred price of € 5,007 thousand. Finally, upon the fulfilment of some conditions, an Earn-out will be paid for an amount of up to € 2,000 thousand (not yet stated in comprehensive income).

The net capital loss reported in the Consolidated Financial Statements arose from consolidation adjustments allocated to some project finance companies for which the consolidated value was different from the carrying amount at which they had been stated in the statutory Financial Statements of Rekeep S.p.A. (recognised at historical acquisition costs), showing on the contrary a net capital gain.

26. Financial income

The breakdown of the item is shown below for the years ended 31 December 2018 and 31 December 2017:

	For the year ended	
	31 December 2018	31 December 2017
Interest on bank current accounts	80	13
Interest on non-proprietary and intercompany current accounts	319	515
Interest on trade receivables	923	3.154
Interest from discounting of non-interest bearing loans	63	3
Other financial income	212	77
FINANCIAL INCOME	**1,597**	**3,762**

Financial income recorded a decrease compared to the previous year, equal to € 2,165 thousand. The main change in the item related to the recognition of default interest payable by a customer in the public sector following an in-court settlement ruling for € 2,476 thousand in 2017.

27. Financial costs

The breakdown of the item is shown below for the years ended 31 December 2018 and 31 December 2017:

	For the year ended	
	31 December 2018	31 December 2017
Financial charges on other loans	17,083	22,802
Financial costs for finance leases	138	125
Financial costs on intercompany loans	8,890	4,794
Interest discount on assignments of receivables without recourse	3,021	1,869
Interest on trade payables	622	126
Other financial costs	3,790	13,409
FINANCIAL COSTS	**33,544**	**43,125**

In 2018 *Financial costs* recorded a decrease of € 9,581 thousand compared to the previous year.

In 2017 there was in fact the recognition of non-recurring financial costs arising from the Refinancing of the Manutencoop Group, which led the Parent Company Rekeep S.p.A. to make an early redemption of the Senior Secured Notes bond issue, which had been launched in 2013, initially due 2020 and with a six-monthly coupon of 8.5%, and to obtain an intercompany loan (Proceeds Loan) in a nominal amount of € 190.3 million from its direct controlling company CMF S.p.A.; in 2017 the latter launched a new Senior Secured Notes bond in a nominal amount of € 360 million, below par (at 98%), due 2022 and with a six-monthly coupon of 9%. CMF S.p.A. was merged by incorporation into its subsidiary Rekeep S.p.A. with statutory, accounting and tax effects from 1 July 2018. Therefore, the Proceeds Loan was repaid and the title to the Senior Secured Notes bond was transferred to Rekeep S.p.A. as from that date. The effects of these changes are analysed below for each item.

Financial charges on other loans include financial costs on the coupons of the Notes, which accrued as from the date of merger, for a total amount of € 16,200 thousand. In 2017, instead, the Notes repaid had accrued financial costs on coupons for € 22,134 thousand until the date of redemption, including non-recurring charges arising from negative interest accrued with respect to the repayment of the capital quota to bondholders, equal to € 105 thousand.

Financial costs on intercompany loans also include interest accrued on the Proceeds Loan that CMF S.p.A. had granted to the Parent Company until the date of merger, equal to € 7,869 thousand (against € 3,643 thousand recognised in 2017).

Other financial income included financial charges for amortised cost incurred in 2018 for € 1,604 thousand against € 5,352 thousand in 2017 in relation to the Notes repaid and including the reversal, through profit or loss, of the remaining amount of additional charges for the issue following the redemption. The previous year had been adversely affected by non-recurring charges relating to the early redemption of the Notes repaid for a total of € 6,375 thousand.

Furthermore, against the Proceeds Loan, CMF S.p.A. charged back to the Parent Company a portion of the additional issue costs for the Notes in proportion to the proceeds reserved for it on account of Proceeds Loan, accounted for at amortised cost. This entailed the recognition of costs (up to the date of merger) amounting to € 810 thousand in 2018, while they amounted to € 990 thousand in 2017.

Other financial costs finally included the costs for the Super Senior Revolving Credit Facility of € 50 million which was entered into by CMF S.p.A. as the Parent at the same time as the bond issue. These costs, which were initially equal to € 1,000 thousand, were also amortised on a straight-line basis throughout the term of the credit facility (for which no drawdown had been requested on the reporting date) and gave rise to amortisation charges of € 240 thousand against an amount of € 52 thousand accounted for in 2017.

The Group finally recorded charges correlated to the assignments of receivables without recourse made during the year for € 3,021 thousand at 31 December 2018 (€ 1,869 thousand at 31 December 2017).

28. Current, prepaid and deferred taxes

The breakdown of the item is shown below for the years ended 31 December 2018 and 31 December 2017:

	For the year ended	
	31 December 2018	**31 December 2017**
Current IRES tax	10,849	9,621
Current IRAP tax	4,206	4,064
(Income) costs from tax consolidation	(7,726)	(1,857)
Adjustments to current taxes of previous years	(838)	(878)
Current taxes	**6,491**	**10,950**
Prepaid/deferred IRES tax	1,861	4,756
Prepaid/deferred IRAP tax	181	272
Prepaid/deferred taxes relating to previous years	(107)	32
Prepaid/deferred taxes	**1,935**	**5,060**
CURRENT, PREPAID AND DEFERRED TAXES	**8,426**	**16,010**

In 2018 the Group recorded taxes totalling € 8,426 thousand, marking a decrease of € 7,584 thousand compared to the taxes recognised at 31 December 2017.

More specifically, the main changes are as follows :

- an increase of € 1,228 thousand in the current IRES tax balance;
- an increase of € 142 thousand in the current IRAP tax balance;
- an increase of € 5,869 thousand in the balance of income from tax consolidation;
- positive adjustments to current taxes relating to previous years for € 838 thousand;
- the recognition of a net charge of € 1,935 thousand, relating to the total balance of prepaid and deferred taxes, with a decrease of € 3,125 thousand compared to the previous year, given the partial write-off of deferred tax assets stated among non-deductible financial costs in the previous year. The future recovery of deferred tax assets has been assessed on the basis of the same forecasts as those used by the Management for the impairment test on goodwill (see note 6).

Finally, it should be noted that lower current IRES and IRAP tax was recognised for € 6.1 million 2018, following the submission of the supplementary returns of Forms Unico SC 2014—2018.

At 31 December 2018 the Group recognised Current tax receivables for a total amount of € 14,635 thousand, relating to the net balance of the excess IRES tax advances paid to the Tax Office or receivables from parent company Manutencoop Società Cooperativa which arose within the scope of the national tax consolidation in force with some Group companies, and Current tax payables equal to € 954 thousand relating to the IRAP tax balance to be paid.

The reconciliation between current income taxes accounted for and the theoretical tax resulting from the application of the IRES tax rate in force for the years ended 31 December 2018 and 31 December 2017 to pre-tax profit is as follows:

	31 December 2018		31 December 2017	
		%		%
PRE-TAX PROFIT	**24,269**		**16,725**	
Taxes calculated at the rate applicable in Italy - IRES tax	10,849		9,621	
(Income) costs from national tax consolidation	(7,726)		(1,857)	
Taxes calculated at the rate applicable in Italy – IRAP tax	4,206		4,064	
Taxes calculated at the rate applicable abroad	0		0	
Taxes for previous years	(837)		(878)	
EFFECTIVE TAX / RATE	**6,491**	**26.75%**	**10,949**	**65.47%**

The applicable theoretical rate in Italy is 24% of taxable income for the year, while taxes for foreign companies are calculated based on tax rates applicable at a local level. The table includes the effects on the current IRES tax arising from the recognition of proceeds from having joined the tax consolidation scheme.

Deferred tax assets and liabilities

At 31 December 2018 the Group recorded deferred tax assets of € 15,017 thousand, net of deferred tax liabilities of € 14,525 thousand, as shown below:

	Tax effect on the balance sheet			Tax effect through P&L	Tax effect on equity
	31 December 2017	of which Business Combinations	31 December 2018	31 December 2018	31 December 2018
Deferred tax asstes:					
Expected credit losses	5,979		5,890	(89)	
Provisions for risks and charges	3,699	23	2,921	(801)	
Amortisation	1,200		1,095	(105)	
Interest expense	3,552		3,167	(385)	
Cash cost deduction	39	336	27	(347)	
Other consolidation adjustments	452		961	509	
Other temporary adjustments	1,463	55	955	(558)	
Foreign exchange effect					(5)
Total prepaid taxes	**16,383**	**414**	**15,017**	**(1,776)**	**(5)**

	Tax effect on the balance sheet			Tax effect through P&L	Tax effect on equity
	31 December 2017	of which Business Combinations	31 December 2018	31 December 2018	31 December 2018
Deferred tax liabilities:					
Goodwill amortisation	(10,110)		(10,610)	(500)	
Purchase Price Allocation	(1,739)		(1,672)	67	
Cash cost deduction	(137)	(2,116)	(1,927)	326	
Employee benefit discounting	(5)		3	(36)	(1)
Other consolidation adjustments	(302)		(319)	(15)	(2)
Total deferred taxes	**(12,294)**	**(2,116)**	**(14,525)**	**(159)**	**(3)**
NET PREPAID/(DEFERRED) TAXES	**4,090**	**(1,702)**	**493**	**(1,935)**	**(8)**

29. Earnings per share

Basic earnings per share are calculated by dividing consolidated net profit in the year pertaining to the Parent Company's ordinary shareholders by the weighted average number of outstanding ordinary shares during the year. Diluted earnings per share are, in the case of the Rekeep Group, equal to basic earnings per share, since no convertible bonds or share options were issued by the Parent Company.

Income and information on the shares used for the purpose of calculating consolidated basic earnings per share are shown below:

	For the year ended	
	31 December 2018	31 December 2017
Net profit attributable to shareholders (in thousands of Euro)	15,734	642
Number of ordinary shares (excluding own shares) for the purpose of basic earnings per share	109,149,600	109,149,600
BASIC AND DILUTED EARNINGS PER SHARE (IN EURO)	**0.144**	**0.006**

	For the year ended	
	31 December 2018	31 December 2017
Net earnings from continuing operations (in thousands of Euro)	15,843	715
Net profit /(loss) from continuing operations pertaining to minority interests (in thousands of Euro)	(109)	(73)
Net profit from continuing operations pertaining to the Group (in thousands of Euro)	15,734	642
Number of ordinary shares for the purpose of basic earnings per share	109,149,600	109,149,600
BASIC AND DILUTED EARNINGS PER SHARE OF CONTINUING OPERATIONS (IN EURO)	**0.144**	**0.006**

No other transactions were performed regarding ordinary shares or potential ordinary shares between the balance sheet date and the date the financial statements were drafted.

Dividends

In 2018 the Parent Company did not distribute dividends on the profits accrued at 31 December 2017.

30. Operating segments

The services provided by the Rekeep Group can be divided into two primary areas of business, which coincide with the Strategic Business Units (SBU) where business is channelled. The latter is not affected by significant seasonality factors.

The SBUs identified coincide with the CGUs where the Group's activities are conducted. See note 6 for details .

Information on the operating segments for the financial year ended 31 December 2018

	Facility management	Laundering & Sterilization	Eliminations	Total
Segment revenues	824,966	127,443	(2,527)	949,882
Segment costs	(782,854)	(113,805)	2,527	(894,133)
Operating income (loss) by segment	**42,112**	**13,637**	**0**	**55,749**
Share of net profit of associates	1,122	344		1,466
Net financial income (costs)				(32,946)
Profit (loss) before taxes				**24,269**
Income taxes				(8,426)
NET PROFIT (LOSS) FOR THE YEAR ENDED 31 DECEMBER 2018				**15,843**

	Facility management	Laundering & Sterilization	Eliminations	Total
Assets allocated to the segment	436,243	112,422	(1,385)	547,280
Goodwill	393,812	13,810		407,622
Investments	18,465	5,647		24,112
Other assets not allocated and related taxes				138,500
SEGMENT ASSETS AT 31 DECEMBER 2018	**848,520**	**131,878**	**(1,385)**	**1,117,513**
Liabilities allocated to the segment	480,478	57,737	(1,385)	536,830
Other liabilities not allocated and related taxes				415,191
SEGMENT LIABILITIES AT 31 DECEMBER 2018	**480,478**	**57,737**	**(1,385)**	**952,020**

	Facility management	Laundering & Sterilization	Total
OTHER SEGMENT INFORMATION AT 31 DECEMBER 2018			
Investments in segment assets	13,818	18,209	**32,027**
Amortisation/depreciation and write-downs of segment assets	13,336	17,785	**31,122**

Information on the operating segments for the financial year ended 31 December 2017

	Facility management	Laundering & Sterilization	Eliminations	Total
Segment revenues	790,346	130,515	(2,770)	918,091
Segment costs	(748,963)	(113,714)	2,770	(859,907)
Operating income (loss) by segment	**41,383**	**16,801**	**0**	**58,184**
Share of net profit of associates	(2,319)	374		(1,945)
Net financial income (costs)				(39,514)
Profit (loss) before taxes				**16,725**
Income taxes				(16,010)
NET PROFIT (LOSS) FOR THE YEAR ENDED 31 DECEMBERT 2017				**715**

	Facility management	Laundering & Sterilization	Eliminations	Total
Assets allocated to the segment	447,605	116,856	(1,885)	562,576
Goodwill	358,600	11,763		370,363
Investments	25,761	6,290		33,160
Other assets not allocated and related taxes				101,235
SEGMENT ASSETS AT 31 DECEMBER 2017	**831,966**	**134,910**	**(1,885)**	**1,066,225**
Liabilities allocated to the segment	480,629	57,549	(1,885)	536,293
Other liabilities not allocated and related taxes				231,151
SEGMENT LIABILITIES AT 31 DECEMBER 2017	**480,629**	**57,549**	**(1,885)**	**767,444**

	Facility management	Laundering & Sterilization	Total
OTHER SEGMENT INFORMATION AT 31 DECEMBER 2017			
Investments in segment assets	9,915	21,634	**31,549**
Amortisation/depreciation and write-downs of segment assets	13,759	16,522	**30,280**

Geographical areas

The Group conducts its core business in Italy. At 31 December 2018 the activities conducted abroad were entirely marginal for the Group and generated revenues amounting to € 6,753 thousand (€ 1,112 thousand at 31 December 2017).

The information by geographical area required by IFRS 8 is shown below for the years ended 31 December 2018 and 2017.

	Italy	Foreign countries	Eliminations	Total
INFORMATION BY GEOGRAPHICAL AREA AT 31 DECEMBER 2018				
Revenues	943,128	6,753		**949,882**
Non-current operating assets	508,459	1,669		**510,128**

	Italy	Foreign countries	Eliminations	Total
INFORMATION BY GEOGRAPHICAL AREA AT 31 DECEMBER 2017				
Revenues	916,979	1,112		**918,091**
Non-current operating assets	469,870	3		**469,873**

31. Commitments and contingent liabilities

Financial lease

The Group signed financial lease agreements primarily for plant and equipment used in the production processes of the Laundering & Sterilization SBU and for motor vehicles.

The table below details the amount of future rental fees deriving from financial leases and the current value of these fees:

	31 December 2018		31 December 2017	
	Rental fees	Present value of rental fees	Rental fees	Present value of rental fees
Within one year	497	387	507	388
From one year to five years	1,735	1,668	1,841	1,689
After five years	2,132	1,523	2,132	1,590
TOTAL LEASE FEES	**4,364**	**3,577**	**4,479**	**3,667**
Financial costs	(786)		(813)	
PRESENT VALUE OF LEASE FEES	**3,577**	**3,577**	**3,667**	**3,667**

At 31 December 2018 the Group granted sureties to third parties for:

- guarantees against financial obligations amounting to € 18,909 thousand (€ 11,037 thousand compared to 31 December 2017), of which € 3,504 thousand issued in the interest of associates for bank overdrafts and other financial obligations (€ 4,425 thousand at 31 December 2017);
- sureties granted to third parties to ensure the correct fulfilment of contract obligations in place with customers amounting to € 281,594 thousand (31 December 2017: € 234,241 thousand), of which € 1 thousand issued in the interest of associates;
- other guarantees granted by third parties in favour of associates, joint ventures and other equity investments for € 12,305 thousand (€ 10,014 thousand at 31 December 2017);
- other guarantees granted to third parties to replace security deposits required to activate utilities or to execute lease agreements, as well as for VAT refunds from Inland Revenue Agency, for a total amount of € 25,551 thousand (31 December 2017: € 5,040 thousand).

Guarantees arising from the Senior Secured Notes bond issue launched by controlling company CMF S.p.A. in 2017 and from the Super Senior Revolving loan agreement with Unicredit Bank A.G.

The controlling company CMF S.p.A., which was established by Parent Company Manutencoop Società Cooperativa in 2017, launched a Senior Secured Notes bond issue in 2017, due 2022. On 29 June 2017 CMF also signed, as the Parent Company, a Super Senior Revolving loan agreement for € 50 million, governed by English law, to which Rekeep S.p.A. became a party as Borrower. In this context the Parent Company Rekeep S.p.A. benefitted from a Proceeds Loan for a nominal amount of € 190.3 million, bearing interest at a rate equal to that of the bond issue.

CMF S.p.A. was merged by incorporation into Rekeep S.p.A. with statutory, accounting and tax effects from 1 July 2018, applying the provisions laid down in the Indenture signed on 13 October 2017. After the merger, the indirect subsidiary Servizi Ospedalieri S.p.A. may also access the revolving credit facility, providing a specific personal security.

The payment obligations connected to both the Bond Issue and the Super Senior Revolving (RCF) facility were initially backed mainly by the following collateral provided on 13 October 2017 *pro indiviso* in favour of bond and bank creditors:

- a first-degree pledge over the total shares of Rekeep S.p.A.;
- an assignment, by way of security, involving receivables arising from the abovementioned Proceeds Loan, which was partially repaid during the fourth quarter of 2017 and then during the first nine months of 2018 in order to allow CMF to pay the interest coupons and finally repaid following the merger.

After the completion of the merger, a first pledge remained on the total shares of Rekeep S.p.A., paid by the controlling company Manutencoop Società Cooperativa. Furthermore, the following additional guarantees have been recognised:

- a pledge over the total shares of Servizi Ospedalieri S.p.A.;
- an assignment, by way of security, involving receivables held by Rekeep S.p.A., arising from intercompany loans granted by it to some of its subsidiaries.

The Parent Company Rekeep S.p.A. has also provided, in favour of the subscribers of the Super Senior Revolving facility only, a special lien pursuant to Article 46 of Legislative Decree 385 of 1 September 1993 on some of the personal properties held by it.

The guarantees listed above may be called by the counterparties only in the case that one of the events of default envisaged in the abovementioned contracts occurs; up to the occurrence of the same, the assets covered by the guarantee are fully available to the Group. At 31 December 2018 no events of default had occurred.

Contingent liabilities

As at the date of approval of the Interim Report on Operations at 31 December 2018 contingent liabilities had arisen for the Rekeep Group which had not been recognised in the accounts, for which the Management believes that the related financial risks can be regarded as possible but unlikely.

Compensation for damages for the fire that occurred in the former Olivetti area at Scarmagno (Turin)

On 19 March 2013 a fire occurred in the former Olivetti area at Scarmagno (Turin) which also involved, as potential indirectly liable persons, three former employees of the Company. For this reason Rekeep S.p.A., as the employer of two of the accused persons, is objectively liable in civil law for the offences of negligent fire and violation of safety regulations. The Court of Ivrea pronounced in first instance of 24 February 2017, with a judgment which acquitted the accused on the grounds that they "had not committed the offence". This judgment is currently the object of an appeal that was filed by the Public Prosecutor and by the aggrieved parties in civil proceedings Prelios SGR, Telecom Italia S.p.A. and Olivetti S.p.A. in July 2017; we are waiting for the hearing to be scheduled before the Court of Appeal of Turin.

In relation to the accident caused by this fire, the insurance companies paid the injured parties damages for more than € 38 million, for which they subsequently formalised recourse actions against the natural persons concerned and their employers, including Rekeep S.p.A.. The overall claim for damages was equal to over € 50 million, including claims for damages submitted by the owners of the properties concerned and the above-mentioned insurance company's recourse actions. On the other hand, on 24 February 2017 Rekeep S.p.A. and the other persons involved

were served a summons by AIG Europe Limited (one of the insurance companies party to the action) in order to obtain, by way of subrogation, what had been already paid to Telesystem Electronics S.r.l (owner of the goods stored at the factory of Scarmagno) for a value of € 187 thousand.

As part of the above proceedings, Generali Assicurazioni voluntarily appeared before the court as well by making a similar claim for more than € 33 million on account of recourse for indemnities it had paid in favour of Celltel S.p.A (now Fallimento Telis S.r.l), Innovis S.p.A, the Telecom Group, RTI S.p.A, in addition to costs for technical assessments ordered by Generali prior to the case. The proceedings before the Court of Milan are still pending, with an additional hearing scheduled on 13 March 2019. In the meanwhile, the parties started negotiations aimed at an amicable settlement of the dispute; specifically, a settlement agreement is being prepared between Rekeep S.p.A. and Generali Assicurazioni, under which Rekeep S.p.A. undertakes (using funds provided to it by UnipolSai Assicurazioni S.p.A. as the insurance company for Liability, which has declared its willingness to enter into the agreement by signing a binding commitment) to pay Generali an overall amount of € 3,366 thousand, equal to 10% of the total sum paid by Generali to its insured parties, on account of full payment, write-off and settlement. This amount was paid by UnipolSai on behalf of Rekeep S.p.A. in three equal instalments between December 2018 and February 2019. The agreement also provides that, as regards the position of Prelios SGR, since it is not a party to the agreement and since its liability is covered by an insurance policy taken out with Generali, Rekeep S.p.A. undertakes to hold harmless Generali Assicurazioni, until Prelios SGR's claim against Generali Assicurazioni becomes statute barred and up to an amount equal to the limit of Liability equal to € 2,600 thousand, from and against any expenditure which Generali should be required to sustain by virtue of a provisionally enforceable judgment. Rekeep S.p.A. and UnipolSai Assicurazioni S.p.A. also undertake to settle, by 30 November 2018, the credit positions of the co-insurers of Generali Italia S.p.A., Chubb European Group Limited (formerly ACE) and HDI Global S.E., General Representative Office in Italy (formerly HDI Gerling), at a percentage of 10% of the right claimed and through the payment of amounts of € 125 thousand and € 63 thousand, respectively. UnipolSai paid these amounts on 27 November 2018 in favour of Chubb European Group LTD and HDI Global S.E.

ANAC's order relating to the tender for awarding cleaning services at A.O.R.N. Santobono Pausilipon

On 10 November 2017 ANAC, after the completion of proceedings initiated in November 2016 following a report made by A.O.R.N. Santobono Pausilipon in Naples, imposed a sanction ("ANAC's Order") on Rekeep S.p.A. (Manutencoop Facility Management S.p.A. at that time), raising objections concerning the failure to provide a declaration relating to the absence of criminal proceedings against one of the Company's proxy holder in the documentation submitted for the same tender in 2013. On the other hand, this proxy holder met the legal requirements in full. In addition to a fine of € 10 thousand, the ANAC's Order provided for the Company to be excluded from all public tenders for a period of 6 months as from the date of entry in the computerised records of economic operators in public contracts. The Company, which considers that the order is unfounded and based on erroneous legal grounds, in addition to being disproportionate with respect to the alleged infringement, filed an appeal with the Lazio Regional Administrative Court, while asking the President of the competent division to order the immediate suspension of the measure before any discussion on the merits of the case ("request for precautionary measure from a single-member court"). On 15 November 2017 this request was granted and all the effects of the ANAC's Order were suspended. On 21 December 2017 the Lazio Regional Administrative Court granted the appeal, as regards the merits, submitted by the Company and annulled the ANAC's Order. Subsequently, the latter challenged the administrative court's ruling before the Council of State, while submitting a request for precautionary measures for the suspension of the effects of the trial judgment. At the hearing held on 8 March 2018 the Council of State rejected this request, ordering ANAC to pay expenses, waiting for the hearing on the merits to be set.

By a judgment published on 27 December 2018, the Council of State granted the appeal filed by ANAC against the Lazio Regional Administrative Court's ruling of 21 December 2017, which had annulled the ANAC's Order.

The Company, also on the basis of what has been agreed with its lawyers and maintaining the position it has always taken on the matter, believes that this judgment, as well as the ANAC's order, are based on erroneous and non-existent factual and legal assumptions and that the said order is not proportional to the alleged infringement. The Council of State's ruling was therefore challenged by the Company on 9 January 2019 before the Supreme Court in order to obtain its full annulment due to excessive jurisdictional powers, since the Council of State applied a non-existent rule (thus actually creating a new one), given that Article 38, paragraph 1-*ter* of Legislative Decree no. 163/2006, to which reference is made, regulates only the case of "submission of false declarations or false documentation in tender procedures", while disregarding the different case of failure to submit the required declarations in tender procedures. It should also be noted that according to the subsequent and current regulations on tendering, the failure to submit similar administrative documentation would not even constitute a possible infringement but would be remedied merely through the "preliminary relief", or merely through a request by the Public Administration for additions to the incomplete documentation.

On 9 January 2019, a request for precautionary measure from a single-member court was submitted to the Council of State for it to suspend the judgment of 27 December 2018 pursuant to Article 111 of the Italian Code of Administrative Procedure. The President of the competent division accepted the request made by the Company by a specific Decree, whereby it suspended the effects of the judgment and of the ANAC's Order until the hearing of the Council of State that was held on 24 January 2019, in which it confirmed the decision made by the President until the ruling of the Supreme Court. To date, the hearing before the Supreme Court has not yet been set.

The judgment was also challenged by the Company before the Council of State on 6 February 2019 by means of an appeal for revocation, complaining about a factual error entailing the revocation and claiming that: (i) the Company did not submit any false declaration, but merely failed to submit a declaration (Article 38, paragraph 1.c) on the part of one of its proxies who, moreover, met the legal requirements in full, as she had no criminal record; (ii) the Company was never accused of failing to meet the requirement.

Finally, the Company is considering with its lawyers to bring further defence actions before the competent European jurisdictional Authorities (the European Court of Human Rights and the European Court of Justice).

It should be noted that the measure for exclusion would have no effect on Rekeep S.p.A.'s ability to participate in tenders launched by private parties, nor on the performance of the contracts in its portfolio.

32. Transactions with related parties

Related party transactions were performed under normal market conditions, i.e. in line with conditions that would be applied between aware and independent parties. Market prices are applied to both commercial and financial transactions.

Non-interest bearing loans are only disbursed in the case of pro-quota financing granted by syndicated shareholders to consortium companies. These loans were, however, discounted in the financial statements of the Parent Company Rekeep S.p.A..

The Parent Company not only provides technical-production services relating to the core business, but also administrative and IT services for certain Group companies. The Parent Company also has some administrative, financial and lease service contracts in place with its parent company Manutencoop Società Cooperativa.

The main contracts in place with other Rekeep group companies, controlled by Manutencoop Società Cooperativa, with the latter and its subsidiaries, are shown below:

- e-Digital Services S.r.l. signed a contract with associate Roma Multiservizi S.p.A. on the basis of which it is committed to providing an Information System service. The contract makes provision for an annual consideration of € 815 thousand and will expire on 31 December 2018;
- Manutencoop Cooperativa sub-leased to Rekeep S.p.A. the part of the property located in Zola Predosa, via Poli no. 4 (BO), for office use. The lease is tacitly renewable, except in the event of termination by one of the parties. Annual rent is expected to be € 1,333 thousand to be paid in monthly instalments;
- The affiliate company Manutencoop Immobiliare S.p.A. leased to Sicura S.r.l. the property located in Vicenza (VI), at via Zamenhof no. 372, for use as offices/warehouse. The duration of the lease has a 6-year term and is tacitly renewable, except in the event of termination by one of the parties. Annual rent is expected to be € 372 thousand, to be paid in monthly instalments;
- The affiliate company Manutencoop Immobiliare S.p.A. leased to Rekeep S.p.A. the part of the property located in Mestre (VE), via Porto di Cavergnago no. 6, for office use. Annual rent is expected to be € 322 thousand, to be paid in 12 monthly instalments;
- On 6 July 2007, Rekeep S.p.A. signed a framework agreement with its parent company, Manutencoop Società Cooperativa, in order to regulate the essential contents of subsequent personnel leases from Manutencoop Società Cooperativa to Rekeep S.p.A. pursuant to Title III, Chapter I of Legislative Decree 276/2003. The contract has a five-year term, and is tacitly renewed, unless terminated by one of the parties. As a result of said agreement, which has the legal nature of a legislative contract that does not grant rights to third parties, Rekeep S.p.A. and the parent company Manutencoop Società Cooperativa set out the conditions that regulate any future contracts for the leasing of shareholding personnel of Manutencoop Società Cooperativa, and the operating rules for establishing and terminating said contracts;
- Manutencoop Società Cooperativa is committed, on the basis of contracts stipulated with the individual companies of the Rekeep Group, to preparing pay packets;
- Rekeep S.p.A. signed agreements with Manutencoop Società Cooperativa and its subsidiaries for the provision of tax consultancy services;
- on 13 October 2017 Rekeep S.p.A. entered into a loan agreement named Proceeds Loan with the then sole shareholder CMF S.p.A., expiring on 15 June 2022 and bearing interest at an annual fixed rate of 9.0%, payable on a six-monthly basis on 15 June and 15 December. CMF S.p.A. was then merged by incorporation into Rekeep S.p.A. with effect from 1 July 2018. The loan was repaid following this merger.

The breakdown of the balances relating to the transactions carried out by the Group's Companies with related parties is provided in Annex III attached to these Consolidated Financial Statements.

The Rekeep Group is subject to the management and coordination activities of Manutencoop Società Cooperativa and, pursuant to art. 2497-*bis*, paragraph 4 of the Italian Civil Code, the key figures of the latest set of approved financial statements are provided below:

(in thousands of Euro)	31 December 2017	31 December 2016
BALANCE SHEET		
ASSETS		
A) Subscribed capital, unpaid	76	18
B) Fixed assets	329,439	273,189
C) Current assets	28,590	27,337
D) Accrued income and prepaid expenses	1,360	1,583
TOTAL ASSETS	**359,465**	**302,127**
LIABILITIES		
A) Shareholders' equity:		
Share capital	5,950	6,350
Reserves	176,429	220,471
Profit/(Loss) for the year	107,639	(44,042)
B) Provisions for risks and charges	280	4,511
C) Employee Severance Indemnity	1,361	1,506
D) Payables	67,109	112,494
E) Accrued expenses and deferred income	697	837
TOTAL LIABILITIES	**359,465**	**302,127**
INCOME STATEMENT		
A) Value of production	36,149	35,338
B) Costs of production	(38,370)	(39,017)
C) Financial income and costs	97,369	(42,610)
D) Value adjustments to financial assets	(2,610)	(4,096)
Income taxes for the year	15,100	6,343
PROFIT/(LOSS) FOR THE YEAR	**107,639**	**(44,042)**

Remuneration of members of the Governing and Control Bodies, as well as of other executives with strategic responsibilities

Fees paid to members of governing and control bodies reported below include the total fees paid to the members of these corporate bodies in 2018, as well as those paid to executives with strategic responsibilities in the Parent Company, including for roles held in other Group companies:

	31 December 2018	31 December 2017
Board of Directors		
Short-term benefits	397	608
Post-employment benefits	0	0
TOTAL BOARD OF DIRECTORS	**397**	**608**
Executives with strategic responsibilities		
Short-term benefits	3,941	5,153
Post-employment benefits	128	141
TOTAL EXECUTIVES WITH STRATEGIC RESPONSIBILITIES	**4,069**	**5,294**
Board of Statutory Auditors		
Short-term benefits	135	196
TOTAL BOARD OF STATUTORY AUDITORS	**135**	**196**

The table below reports the fees accounted for in the 2018 consolidated income statement for audit and non-audit services rendered by EY S.p.A. and by other entities in its network:

	31 December 2018	31 December 2017
Audit services	644	807
Certification services	130	54
Other services	529	73
TOTAL FEES DUE TO EY S.p.A. NETWORK COMPANIES	**1,303**	**934**

Audit services include the fees paid for the audit of annual and interim consolidated financial statements.

Certification services relate to the fees paid for the issue of tax compliance certificates and the engagements for performance of agreed-upon procedures.

Other services concerned advice services concerning the start-up of the Group's foreign operations.

33. Management of financial risks

Management of financial requirements and the relative risks (mainly interest rate and liquidity risk) is performed centrally by the Group's finance function on the basis of guidelines approved by the Parent Company's Board of Directors which are reviewed periodically. The main objective of these guidelines is to guarantee the presence of a liability structure that is balanced with the composition of the balance sheet assets, in order to maintain a high level of capital strength.

During the last quarter of the 2017 financial year the parent company Manutencoop Società Cooperativa carried out a corporate reorganisation and refinancing of the entire Manutencoop Group. The corporate reorganisation involved the transfer of the shares held by Manutencoop Società Cooperativa in the Parent Company Rekeep S.p.A. to a newly-established corporate SPV named CMF S.p.A., which is now the direct Parent Company of Rekeep S.p.A. itself. Specifically, CMF S.p.A. was established for the launch of a Senior Secured bond issue aimed at repurchasing the Notes already issued by the Parent Company Rekeep S.p.A. in 2013, as well as at purchasing the shares held by the minority interests in the share capital of the Parent Company Rekeep S.p.A. and repaying the other financial debt of the entire Group controlled by Manutencoop Società Cooperativa.

On 6 July 2017, CMF S.p.A. launched a high-yield bond issue named "*€360,000,000 9.0% Senior Secured Notes due 2022*", which is not convertible and not subordinated, for a total amount on account of principal of € 360 million and due 15 June 2022. The Notes, which were reserved for institutional investors and were listed on the Euro MTF segment managed by the Luxembourg Stock Exchange, as well as on the Extra MOT, Pro Segment, of Borsa Italiana, were issued at a price equal to 98% and a coupon at a fixed rate of 9.0% p.a., payable on a six-monthly basis. The terms and conditions referred to in the rules of the Bond Issue are laid down in the Indenture, which is governed by the law of the State of New York. This bond issue was initially deposited by Bank of New York in escrow account, until the release of the same on 13 October 2017. On the same date Rekeep S.p.A. received from CMF S.p.A. a Proceeds Loan amounting to € 190,300 thousand, subsequently partially repaid, which allowed it, at the same time as the use of a portion of its own Cash and cash equivalents, to have sufficient liquidity to proceed with an early redemption of the Notes issued in 2013.

At the same time, using the remaining portion of cash acquired through the subscription of the Notes, CMF S.p.A. completed the acquisition of the shares held by Institutional Investors in the share capital of Rekeep S.p.A. (equal to 33.2%), thus becoming the sole shareholder of Rekeep S.p.A..

As required by the Offering Memorandum for the bond issue, on 1 July 2018 the Group completed the merger of CMF S.p.A. by incorporation into its subsidiary Rekeep S.p.A., according to Article 2501-*bis* (merger with debt), thus giving rise to the simultaneous repayment of the Proceeds Loan (amounting to € 174,220 thousand upon the merger) and the acquisition directly by Rekeep S.p.A. of the bond issue.

There was a change in the financial structure of the Rekeep Group as a result of the start of operations involving the corporate reorganisation and refinancing of the entire Manutencoop Group designed by Manutencoop Società Cooperativa in 2017 and of the completion of the merger of CMF S.p.A. by incorporation into Rekeep S.p.A. as from 1 July 2018.

The merger in fact entailed the acquisition, directly by Rekeep S.p.A., of the high-yield bond issue named "€360,000,000 9.0% Senior Secured Notes due 2022", which is not convertible and not subordinated, for an overall amount of principal of € 360 million, due 15 June 2022.

The other financial instruments that are traditionally used by the Group Companies are made up of:

- short-term loans and revolving non-recourse and recourse factoring transactions targeted at funding working capital;
- very short-term credit facilities used for contingent cash requirements;
- medium/long-term loans with a multi-year repayment plan to cover investments in fixed assets and acquisitions of companies and business units.

The Group also uses trade payables deriving from operations as financial instruments. The Group's policy is not to trade financial instruments.

The Group's financial instruments were classed into three levels provided by IFRS 7. In particular, the fair value hierarchy is defined in the following levels:

- Level 1: corresponds to prices of similar liabilities and assets listed on active markets.
- Level 2: corresponds to prices calculated through features taken from observable market data.
- Level 3: corresponds to prices calculated through other features that are different from observable market data.

The table below shows the hierarchy for each class of financial asset measured at fair value at 31 December 2018 and 31 December 2017.

		Hierarchy				Hierarchy		
	31 December 2018	Level 1	Level 2	Level 3	31 December 2017	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss								
Financial receivables, securities and other non-current financial assets	**101**	101			**101**	101		
– of which securities	**101**	101			**101**	101		
Available-for-sale financial assets								
Financial receivables and other current financial assets	**179**	179			0	0		
– of which securities	**179**	179			**0**	0		
– of which hedging derivatives	**0**	0			**0**	0		
– of which non-hedging derivatives	**0**	0			**0**	0		
TOTAL FINANCIAL ASSETS	**280**	**280**			**101**	**101**		

The other financial assets posted in the Statement of financial position are not measured at fair value and the Group has no financial liabilities measured at fair value at 31 December 2018 and 31 December 2017. During the year under consideration there were no transfers between fair value measurement levels.

There were no changes in allocation of financial assets that led to a different classification of asset. The Group does not hold instruments to warrant amounts receivable to mitigate credit risk. The carrying amount of financial assets, therefore, represents its potential credit risk.

Classes of financial assets and liabilities

The following table shows the classification of financial assets and liabilities recorded in the consolidated Financial Statements of the Rekeep Group, as required by IFRS 7, and the associated economic effects for the year ended 31 December 2018:

	31 December 2018	Financial Assets at Fair value through OCI	Financial Assets at amortised cost
NON-CURRENT FINANCIAL ASSETS			
Other investments	4,905	4,905	
Non-current financial assets	5,662		5,662
Other non-current assets	2,897		2,897
Total non-current financial assets	**13,464**	**4,905**	**8,559**
CURRENT FINANCIAL ASSETS			
Trade receivables and advances to suppliers	417,930		417,930
Current tax receivables	14,658		14,658
Other current assets	22,320		22,320
Current financial assets	5,532		5,532
Cash and cash equivalents	94,733		
Total current financial assets	**555,173**	**0**	**460,440**
TOTAL FINANCIAL ASSETS	**568,637**	**4,905**	**468,999**
FINANCIAL INCOME (COSTS)	**754**	**(843)**	**1,597**

	31 December 2018	Financial Liabilities at Fair Value through profit or loss	Financial Liabilities at amortised cost
NON-CURRENT FINANCIAL LIABILITIES			
Non-current loans	361,687		361,687
Financial liabilities for non-current derivatives	0		0
Other non-current liabilities	660		660
Total non-current financial liabilities	**362,347**	**0**	**362,347**
CURRENT FINANCIAL LIABILITIES			
Trade payables and contractual liabilities	399,602		399,602
Current tax payables	954		954
Other current liabilities	90,360		90,360
Bank borrowings and other financial liabilities	37,366		37,366
Total current financial liabilities	**528,282**	**0**	**528,282**
TOTAL FINANCIAL LIABILITIES	**890,629**	**0**	**890,629**
FINANCIAL INCOME (COSTS)	**(36,565)**	**0**	**(36,565)**

The same information for the year ended 31 December 2017 is shown below:

	31 December 2017	Financial Assets at Fair value through OCI	Financial Assets at amortised cost
NON-CURRENT FINANCIAL ASSETS			
Other investments	4,757	4,757	
Non-current financial assets	11,369		11,369
Other non-current assets	2,998		2,998
Total non-current financial assets	**19,124**	**4,757**	**14,367**
CURRENT FINANCIAL ASSETS			
Trade receivables and advances to suppliers	429,165		429,165
Current tax receivables	8,745		8,745
Other current assets	30,842		30,842
Current financial assets	1,870		1,870
Cash and cash equivalents	59,870		59,870
Total current financial assets	**530,492**	**0**	**530,492**
TOTAL FINANCIAL ASSETS	**549,616**	**4,757**	**544,859**
FINANCIAL INCOME (COSTS)	**3,937**	**175**	**3,762**

	31 December 2017	Financial Liabilities at Fair Value through profit or loss	Financial Liabilities at amortised cost
NON-CURRENT FINANCIAL LIABILITIES			
Non-current loans	175,281		175,281
Financial liabilities for non-current derivatives	0		0
Other non-current liabilities	86		86
Total non-current financial liabilities	**175,367**	**0**	**175,367**
CURRENT FINANCIAL LIABILITIES			
Trade payables and contractual liabilities	393,022		393,022
Current tax payables	326		326
Other current liabilities	93,415		93,425
Bank borrowings and other financial liabilities	43,165		43,165
Total current financial liabilities	**529,928**	**0**	**529,928**
TOTAL FINANCIAL LIABILITIES	**705,295**	**0**	**705,295**
FINANCIAL INCOME (COSTS)	**(43,125)**	**0**	**(43,125)**

Liquidity risk

The Group's objective is to maintain a balance between funding and flexibility through the use of current account overdrafts, short-term bank loans (hot money and advances), finance leases and medium/long-term loans.

The Group is characterised by a labour-intensive model which does not involve significant requirements of capital for investments. However, the Group's customers are mainly composed of public authorities, known for long payment times in respect of the services provided. This aspect means the Group has to also finance working capital through bank indebtedness.

For this purpose the Group may make use of committed credit lines in the form of loans or of assignments without recourse of trade receivables in order to meet financial requirements (if any).

Within the context of the abovementioned refinancing transaction, CMF S.p.A. also signed a Super Senior Revolving (RCF2) loan agreement for a total amount of € 50 million, governed by English law, transferred to Rekeep S.p.A. following the above-mentioned reverse merger. Specifically, the Super Senior Revolving Loan agreement was entered into between, among others, CMF S.p.A., on the one hand, and J.P. Morgan Limited and UniCredit S.p.A., which act as Mandated Lead Arrangers, UniCredit Bank AG, Milan Branch, as Agent and Security Agent, and the Original Lenders, on the other hand. After the merger, the indirect subsidiary Servizi Ospedalieri S.p.A. may also access the revolving credit facility, providing a specific personal security. No amount arising from uses under the Super Senior Revolving Loan Agreement may be used, directly or indirectly, in order to, among other things, proceed with the repurchase or redemption of the Bond Issue or the purchase of shares in Rekeep S.p.A.. The RCF line, which had not yet been used at the reporting date, is an important cash elasticity tool that can be activated on demand within a limited number of business days.

Finally, on 14 November 2017 the Parent Company signed a new loan agreement with CCFS for a total amount of € 10 million. The loan includes two lines of credit, the first of which, amounting to € 5,000 thousand, was disbursed at the same time as the execution and will expire in April 2023. The second 66-month line of credit, for an additional amount of € 5,000 thousand, was disbursed on 13 February 2018, after the end of the financial year and provides for the repayment in six-monthly instalments, with a pre-amortisation period of 12 months.

The Group's management believes that the structure of the financial debt maturity, as well as the availability of the abovementioned committed credit lines, allow the Group to meet its financial requirements in an adequate manner.

Price risk

Risks of this nature which the Group is exposed to could involve changes in the price:

- of oil products relating to heat management activities,
- of cotton, the raw material in the linen used for laundering activities.

However, concerning oil products, these changes are, for the most part, accommodated by the conditions of contracts in place with customers, given that price revision is provided for both by contract, and by art. 115 of Decree Law no. 163 of 12 April 2006. Therefore, it is deemed that the effect on the Group's profit for the year arising from changes in prices, even significant, would essentially have been insignificant, in terms of amount.

Credit risk

The Group's portfolio mix, which, in the past, was made up mainly of contracts with the Public Administration, a situation that did not present insolvency problems, but which required constant contact with customers in order to minimise delays caused by the Authority's red-tape and jointly resolve problems relating to their financial management.

At present the portfolio mix also includes some large Italian industrial and banking groups, mainly organised as a network all over the country.

There are no significant credit concentration risks to report, which are carefully monitored by the Group. Furthermore, given the continuing economic downturn, the Group has equipped itself with specific procedures and structures aimed at a more efficient management of its working capital, as well as of debt collection.

Fair value

The carrying amount of the Group's financial instruments recorded in the Consolidated Financial Statements does not deviate from the fair value, including the value of those classified as assets held for sale. Market interest rates were applied to financial assets and liabilities as at the balance sheet date.

The comparison between the carrying amount and fair value of the main financial assets and liabilities is shown below:

	Carrying Amount		Fair value	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Financial assets				
Cash and cash equivalents	94,733	59,870	94,733	59,870
Receivables and other current financial assets	5,532	1,870	5,532	1,870
Other minority interests	4,905	4,757	4,905	4,757
Non-current financial receivables	5,662	11,369	5,662	11,369
Financial liabilities				
Loans:				
– Variable rate loans	7,728	44,620	7,728	44,620
– Fixed rate loans	387,243	168,562	387,243	168,562
Other current financial liabilities	4,082	5,263	4,082	5,263

Interest rate risk

With the refinancing transaction carried out through CMF S.p.A., the Group has requalified its own financial structure, extending the maturity of the medium/long-term debt and keeping a short-term debt portion balanced with respect to the financing requirements of its working capital.

The main source of financing of the Rekeep Group consists of the Senior Security Notes bond issue with a coupon at a fixed rate of 9% following the merger of CMF S.p.A. by incorporation into Rekeep S.p.A. on 1 July 2018.

In addition to the bond issue the Group uses, as medium/long-term financing, bank loans subject to the application of fixed interest rates and finance lease agreements subject to the application of variable interest rates.

The forms of short-term financing used by the Group, which are mainly subject to the application of variable rates which can be identified as the EURIBOR rate, include current account overdrafts, short- and very short-term (hot money) bank loans and assignments of receivables.

The Group's indebtedness mix is then mainly linked to medium/long-term fixed interest rates.

The breakdown of financial instruments of the Group exposed to interest rate risks is listed in note 16, to which reference should be made as regards Loans, and in notes 8 and 11 to which reference should be made as regards *Non-current financial assets and Cash and cash equivalents*, *Receivables and other current financial assets,* respectively.

Interest rate sensitivity analysis

The structure of the consolidated debt is affected, to a marginal extent, by the changes in market rates, as it is mainly based on forms of financing subject to the payment of interest calculated on the basis of fixed rates, as described above. For the remaining amount, the Group makes recourse to variable rate loans, which are linked to the EURIBOR performance.

The table below shows the sensitivity of pre-tax profit for the year to reasonably possible variations in interest rates, all the other variables being kept constant.

	Increase / Decreese	Effect of the profit (loss), gross of taxes
Financial year ended 31 December 2018	+ 150 bps	(1,190)
	– 30 bps	238
Financial year ended 31 December 2017	+ 150 bps	(1,260)
	– 30 bps	252

The sensitivity analysis confirms the rigidity of the financial structure adopted by the Rekeep Group, which is mainly based on medium/long-term fixed-rate loans, as already detailed above.

Exchange rate risk

The Group's international footprint is still marginal compared to its overall operations: therefore the Group is not exposed to significant exchange rate risks.

Capital management

The key objective of the Group's capital management is to guarantee that a solid credit rating is maintained as well as adequate capital ratios to support operations and to maximise value for shareholders.

The Group manages the capital structure and amends it on the basis of changes in economic conditions. In order to maintain or adjust the capital structure, the Group can adjust the dividends paid to shareholders, repay principal or issue new shares.

The Group checks its debt ratio, by assessing the ratio of net debt to the total of own equity and net debt: interest-bearing loans, trade payables, other payables and provisions for employee severance indemnity net of cash and cash equivalents.

	31 December 2018	31 December 2017
Employee termination indemnity	14,730	15,519
Interest-bearing loans	394,971	175,281
Trade payables and contract liabilities	399,602	393,022
Other current payables	90,360	93,415
Other current financial payables	4,082	43,165
Cash and cash equivalents	(94,733)	(59,870)
Other current financial assets	(5,532)	(1,870)
Total Net Debt	**803,480**	**658,662**
Group shareholders' equity	164,824	298,401
Undistributed net profit (loss)	(15,734)	(642)
Total Capital	**149,090**	**297,759**
EQUITY AND NET DEBT	**952,570**	**956,421**
Indebtedness ratio	**84.3%**	**68.9%**

The reverse merger of CMF S.p.A. into Rekeep S.p.A. gave rise to an increase in the debt ratio compared to 31 December 2017 since it simultaneously entailed an increase in Net Debt, totalling € 144.8 million, and a decrease in Equity, totalling € 148.7 thousand, as reported in note 3 above.

34. Other information

In 2018 some Group companies received financial benefits from Public Authorities or entities treated as such as referred to in Law no. 124 of 4 August 2017 bearing "*Annual Act on market and competition".*

Specifically, during the 2018 financial year the Parent Company Rekeep S.p.A. and its subsidiary H2H Facility Solutions S.p.A. achieved tax credits on R&D projects which meet the requirements provided for in Law no. 190 of 23 December 2014 (Article 1, paragraph 35), partly amended by Law no. 232 of 11 December 2016 (Article 1, paragraphs 15 and 16), as detailed in note 21 above.

Furthermore, the Parent Company Rekeep S.p.A. and Medical Device S.r.l. entered into soft loans named "Artigiancassa Loan" and "Sabatini Loan", respectively, as described in note 16 above.

Finally, additional financial benefits were obtained for a lower amount, for which reference should be made to the information provided in the "Register of State Aids" published on-line.

35. Subsequent events

Buy-back transactions on portions of the Senior Secured Notes

In early 2019 Rekeep S.p.A. formalised the purchase of portions of its bond issue on the open market for a nominal total of € 10.3 million. The weighted average repurchase price was less than 85% against a price for the issue equal to 98% at 6 July 2017. These transactions entailed the recognition of financial capital gains, net of related fees, equal to € 1.6 million through consolidated profit or loss in 2019.

Zola Predosa, 22 March 2019

The Chairman and CEO
Giuliano Di Bernardo

Annex I
Group Companies

Parent Company

	Currency	Registered Office	City
Rekeep S.p.A.	Euro	Via Ubaldo Poli n. 4	Zola Predosa (BO)

Subsidiaries consolidated on a line-by-line basis

Name	Registered Office	City	% Held	Currency
CO.GE.F. Soc. Cons. a r.l	Via Ubaldo Poli no. 4	Zola Predosa (BO)	80%	Euro
Consorzio Igiene Ospedaliera Soc. Cons. a r.l	Via Ubaldo Poli no. 4	Zola Predosa (BO)	66.66%	Euro
Consorzio Servizi Toscana Soc. Cons. a r.l	Via Ubaldo Poli no. 4	Zola Predosa (BO)	60%	Euro
Evimed S.r.l.	Via Zamenhof 363	Vicenza	100%	Euro
e-Digital Services S.r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	100%	Euro
Elene Project S.r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	62%	Euro
Energy Saving Valsamoggia S.r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	63%	Euro
EOS Hijyen Tesis Hizmetleri Saglik Insaat Servis Muhendislik A.S.	Üniversiteler Mahallesi, Bilkent Plaza, A3 Blok, no. 4	Çankaya/ Ankara	51%	TRY
Ferraria Soc. cons. a r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	69%	Euro
Global Oltremare Soc.Cons. a r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	60%	Euro
H2H Facility Solutions S.p.A.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	100%	Euro
H2H Cleaning S.r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	100%	Euro
ISOM Lavori Soc.Cons. a r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	62.71%	Euro
ISOM Gestione Soc.Cons. a r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	52.97%	Euro
KANARIND Soc.Cons. a r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	62.43%	Euro
Leonardo S.r.l.	Via Zamenhof 363	Vicenza	100%	Euro
Logistica Sud Est Soc.Cons. a r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	60%	Euro
Manutencoop France S.a.r.l.	4 place Louis Armand-Tour de l'Horloge	Paris	70%	Euro
Manutencoop International Services LLC	Qatar Tower, building 35, street 920, zone 63	Doha (Qatar)	49%	QAR
Manutencoop Transport S.a.S.	4 place Louis Armand-Tour de l'Horloge	Paris	100%	Euro
MCF servizi Integrati Soc.Cons. a r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	60%	Euro
Medical Device S.r.l.	Via della Tecnica no.52	Montevarchi (AR)	60%	Euro
MSE Soc. Cons. a r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	100%	Euro
Palmanova Servizi Energetici Soc.Cons.ar.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	60%	Euro
Protec S.r.l.	Via Zamenhof 363	Vicenza	100%	Euro
Rekeep Facility S.a.s.	52, Boulevard de Sebastopol	Paris	100%	Euro
Rekeep Rail S.r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	100%	Euro
Rekeep United Yönetim Hizmetleri A.Ş.	United Plaza Örnektepe Mh. İmrahor Cd. Sivaseli Sk. 4	Istanbul	50,98%	TRY
Rekeep World S.r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	100%	Euro
S.AN.CO S.c.a.r.l.	Via Aurelio Saffi, no. 51	Bologna	100%	Euro
S.AN.GE S.c.a.r.l.	Viale Sarca 336 – Strada Privata Breda – Building 12	Milan	89%	Euro

Name	Registered Office	City	% Held	Currency
San Gerardo Servizi Soc.Cons. a r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	60%	Euro
Servizi Brindisi Soc.Cons. a r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	52%	Euro
Servizi Ospedalieri S.p.A.	Via Calvino 33	Ferrara	100%	Euro
Servizi Sanitari Sicilia Soc.Cons. a r.l.	Via Calvino 33	Ferrara	70%	Euro
Servizi Taranto Soc.Cons. a r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	60,08%	Euro
Sicura S.p.A.	Via Zamenhof 363	Vicenza	100%	Euro
Telepost S.p.A.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	100%	Euro
Yougenio S.r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	100%	Euro

Joint ventures accounted for under the equity method

Name	Registered Office	City	% Held	Currency
AMG S.r.l.	SS Laghi di Avigliana 48/a	frazione Roata Raffo Busca (CN)	50%	Euro
Cardarelli Soc.cons.r.l.	S.S. Appia 7 bis Km. 11,900 Zona A.s.i. Aversa Nord	Carinaro (CE)	60%	Euro
CO. & MA. Soc. Cons. a r.l.	Via del Parco no. 16	Tremestieri Etneo (CT)	50%	Euro
DUC Gestione Sede Unica Soc.cons.r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	49%	Euro
Legnago 2001 Soc.cons.r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	50%	Euro
Servizi Sportivi Brindisi Soc.cons.r.l. in liquidation	Via Licio Giorgieri, no. 93	Rome	50%	Euro

Associates and other companies accounted for under the equity method

Name	Registered Office	City	% Held	Currency
Alisei S.r.l. in liquidation	Via Cesari 68/1	Modena	100%	Euro
Bologna Gestione Patrimonio Soc.Cons. r.l. in liquidation	Via della Cooperazione 9	Bologna	27.58%	Euro
BGP2 Soc.Cons. r.l.	Via Giovanni Papini n. 18	Bologna	41.17%	Euro
Bologna Global Strade Soc.Cons. r.l.	Via Pila n. 18	Sasso Marconi (BO)	56%	Euro
Bologna Multiservizi Soc.Cons. r.l. in liquidation	Via San Silvestro n. 56	Faenza (RA)	39%	Euro
Bologna Più' Soc.Cons.r.l in liquidation	Via M.E. Lepido 182/2	Bologna	25.68%	Euro
Centro Europa Ricerche S.r.l.	Via G. Zanardelli n. 34	Rome	21.38%	Euro
Consorzio Imolese Pulizie Soc. Cons. a r.l in liquidation	Via Poiano 22	Imola (BO)	60%	Euro
Como Energia Soc.Cons. r.l. in liquidation	Via Pietro Strazzi 2	Como	30%	Euro
Consorzio Polo Sterilizzazione Integrata a r.l.	Via Facciolati 84	Padova	60%	Euro
Consorzio Sermagest Soc.Cons. a r.l. in liquidation	Via Filippo Corridoni 23	Rome	60%	Euro
F.lli Bernard S.r.l.	Stradella Aquedotto 21	Bari	20%	Euro
Gestione Strade Soc.Cons.a r.l.	Strada Manara n. 64/B	Parma	25%	Euro
Gico System S.r.l.	Via Finelli 8	Calderara di Reno (BO)	20%	Euro
Global Provincia Di Rimini Soc.Cons. r.l. in liquidation	Via Ubaldo Poli no. 4	Zola Predosa (BO)	42.40%	Euro
GR.A.AL. SOC.CONS a r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	29.926%	Euro
Global Riviera Soc.Cons. a r.l.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	30.66%	Euro
Global Vicenza Soc.Cons. a r.l.	Via Grandi 39	Concordia Sulla Secchia (MO)	41.25%	Euro
Gymnasium Soc.Cons. r.l. in liquidation	Via Ubaldo Poli no. 4	Zola Predosa (BO)	68%	Euro
GR.A.AL. Soc. Cons. a. r.l.	Via Guelfa 76	Bologna	29.926%	Euro
Iniziative Produttive Piemontesi S.r.l.	Corso Einaudi 18	Turin	24.75%	Euro
Livia Soc.Cons. a r.l. in liquidation	Via Roma 57/B	Zola Predosa (BO)	34.10%	Euro
Logistica Ospedaliera Soc. Cons. a r.l	Via C. Alberto Dalla Chiesa 23/I	Caltanissetta (CL)	45%	Euro

Name	Registered Office	City	% Held	Currency
Newco Duc Bologna S.p.A.	Via M.E. Lepido 182/2	Bologna	24.90%	Euro
Palazzo della Fonte S.c.p.a.	Via Calamandrei, 255	Arezzo (AR)	33.30%	Euro
Roma Multiservizi S.p.A.	Via Tiburtina 1072	Rome	45.47%	Euro
San Martino 2000 Soc.Cons. a r.l.	Via al Molo Vecchio	Calata Gadda (GE)	40%	Euro
S.E.I. Energia Soc. Cons. a r.l.	Via Emilia 65	Palermo (PA)	49%	Euro
Società Consortile Adanti Manutencoop a r.l. in liquidation	Via Ubaldo Poli no. 4	Zola Predosa (BO)	50%	Euro
Serena S.r.l. in liquidation	Via Ubaldo Poli no. 4	Zola Predosa (BO)	50%	Euro
Servizi Napoli 5 Soc.Cons. a r.l. . .	Via Ubaldo Poli no. 4	Zola Predosa (BO)	45%	Euro
Servizi Sanitari Treviso . . . . . Soc.Cons.a r.l. in liquidation	Via al Molo Vecchio	Calata Gadda (GE)	40%	Euro
Simagest 2 Soc. Cons. a r.l in liquidation	Via Ubaldo Poli no. 4	Zola Predosa (BO)	90%	Euro
Simagest 3 Soc. Cons. a r.l in liquidation	Via Ubaldo Poli no. 4	Zola Predosa (BO)	89.99%	Euro
Steril Piemonte Soc.Cons. r.l.	Corso Einaudi 18	Torino	25%	Euro
T&M Protection Resources Holdings Italy S.p.A.	Via Ubaldo Poli no. 4	Zola Predosa (BO)	40%	Euro
Tower Soc.Cons. a r.l. in liquidation	Via Zanardi 372	Bologna	20.17%	Euro

Annex II

Valutation of investments using the equity method

	%	Net Book Value 31 Dec 17	Changes of the year: Additions/ Disposals	Dividends	Share of net profit/Write-downs	Provision	Reserves	Net Book Value 31 Dec 18	Book value	Provision
Alisei S.r.l. in liquidation	100%	(80)				(7)		(88)	0	(87)
A.M.G. S.r.l.	50%	2.396		(124)	156			2,428	2,428	
BGP2 Soc.Cons. r.l.	41.17%	4	20					24	24	
Bologna Gestione Patrimonio Soc. Cons. a. r.l. in liquidation	27.58%	6			(6)			0	0	
Bologna Global Strade Soc. Cons. a. r.l.	56%	51	6		(1)			56	56	
Bologna Multiservizi Soc. Cons. a r.l.	39%	4						4	4	
Bologna Più Soc. Cons. a r.l.	25.68%	5						5	5	
Cardarelli Soc. Cons. a r.l.	60%	5						5	5	
Centro Europa Ricerche S.r.l.	21.38%	69			(8)			61	61	
Co. & Ma. Soc. Cons. a r.l.	50%	5						5	5	
Como Energia Soc. Cons. a r.l. in liquidation	30%	11						11	11	
Consorzio Imolese Pulizie Soc. Cons. a r.l in liquidation	60%	6						6	6	
Consorzio Polo sterilizzazione Integrata	60%	1						1	1	
Consorzio Sermagest in liquidation	60%	0						0	0	
DUC Gestioni Soc.Cons. a r.l.	49%	10						10	10	
EOS Hijyen Tesis Hizmetleri Saglik Insaat Servis Muhendislik A.S.	50%	346	(346)					0	0	
F.lli Bernard S.r.l.	20%	1,366		(50)	167			1,483	1,483	
Gestione Strade Soc.Cons. a r.l.	25%	0	13					13	13	
GICO Systems S.r.l.	20%	146		0	17			163	163	
Global Provincia di Rimini Soc.Cons. a r.l.	42.40%	4						4	4	
Global Riviera Soc.Cons. 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,.26%	0	3					3	3	
Gymnasium soc. Cons. A r.l. in liquidation	68%	7						7	7	
IPP S.r.l.	25%	444			21			465	465	
Legnago 2001 Soc. Cons. a r.l.	50%	5						5	5	
LIVIA Soc. Cons. a r.l	34.10%	3						3	3	
Logistica Ospedaliera Soc. Cons. a r.l	45%	5						5	5	
Newco DUC Bologna S.p.A.	24.90%	914			157		204	1,275	1,275	
Palazzo della Fonte S.c.p.a.	33.30%	8,000						8,000	8,000	

	%	Net Book Value 31 Dec 17	Changes of the year: Additions/ Disposals	Dividends	Share of net profit/Write-downs	Provision	Reserves	Net Book Value 31 Dec 18	Book value	Provision
Progetto ISOM S.p.A.	36.98%	1,867	(2,023)		156			0	0	
ROMA Multiservizi S.p.A.	45.47%	3,141		0	240		14	3,396	3,396	
San Martino 2000 Soc.Cons. a r.l.	40%	4						4	4	
Savia soc.cons.a.r.l.	49.11%	5	(5)					0	0	
S.E.I. Energia Soc. Cons. a r.l.	49%	5						5	5	
Società -Consortile Adanti Manutencoop a r.l. in liquidation	50%	10						10	10	
SE.SA.MO. S.p.A.	20.91%	1,507	(1,742)	(105)	242		97	0	0	
Se.Ste.Ro S.r.l. in liquidation	25%	114	(114)					0	0	
Serena S.r.l.	50%	9						9	9	
Servizi Napoli 5 Soc. Cons. a r.l.	45%	5						5	5	
Servizi Sanitari Treviso (SE.SA.TRE)	40%	8						8	8	
Servizi Sportivi Brindisi Soc. Cons. a r.l. in liquidation	50%	5						5	5	
Simagest 2 Soc.Cons.a r.l. in liquidation	90%	45						45	45	
Simagest 3 Soc.Cons.a r.l. in liquidation	89.99%	45						45	45	
Synchron Nuovo San Gerardo S.p.A.	35.82%	5,076	(5,399)		323			0	0	
Steril Piemonte Soc. Cons. a r.l.	25%	1,000						1,000	1,000	
T&M Protection Resources Holdings Italy S.p.A.	40%	600						600	600	
Tower Soc.Cons. a r.l.	20.17%	20						20	20	
NET BOOK VALUE		**27,212**	**(9,588)**	**(279)**	**1,466**	**(7)**	**315**	**19,119**	**19,207**	**(87)**

Annex III
Related-Party Transactions

Parent Companies

		Revenues	Costs	Financial income	Financial expenses		Trade Receivables	Financial assets and other	Trade payables	Financial liabilities and other
CMF S.p.A.	31-Dec-17		2,152		6,432	31-Dec-17			10,759	168,562
	31-Dec-18				8,679	31-Dec-18				
Manutencoop Società Cooperativa	31-Dec-17	137	31,355		162	31-Dec-17	100	8,004	12,450	267
	31-Dec-18	230	31,337	1	211	31-Dec-18	88	15,285	9,042	507

Associates and joint-ventures

		Revenues	Costs	Financial income	Financial expenses		Trade Receivables	Financial assets and other	Trade payables	Financial liabilities and other
Alisei s.r.l. in liquidation	31-Dec-17					31-Dec-17	3			1
	31-Dec-18					31-Dec-18	3			1
AMG S.r.l.	31-Dec-17		274			31-Dec-17			162	
	31-Dec-18		261			31-Dec-18			242	
BGP2 Soc.Cons. r.l.	31-Dec-17		39			31-Dec-17			89	
	31-Dec-18					31-Dec-18			89	
Bologna Gestione Patrimonio Soc.Cons. a r.l. in liquidation	31-Dec-17	452	409			31-Dec-17	452		411	
	31-Dec-18	60	346			31-Dec-18	525		623	
Bologna Multiservizi Soc.Cons. a r.l.	31-Dec-17	37				31-Dec-17	54		606	
	31-Dec-18		27			31-Dec-18				
Bologna Più Soc.Cons.a r.l. in liquidation	31-Dec-17					31-Dec-17		3	3	2
	31-Dec-18					31-Dec-18		3	3	2
Bologna Global Strade Soc. Cons. a r.l	31-Dec-17	2,524	5,376			31-Dec-17	1,943	336	3,926	
	31-Dec-18	3,370	5,821			31-Dec-18	2,597	336	3,796	
Cardarelli Soc. Cons. a r.l.	31-Dec-17		661			31-Dec-17			342	
	31-Dec-18		39			31-Dec-18			40	
Centro Europa Ricerche S.r.l.	31-Dec-17					31-Dec-17				
	31-Dec-18					31-Dec-18				
Como Energia Soc.Cons.a r.l. in liquidation	31-Dec-17		261			31-Dec-17			999	
	31-Dec-18		46			31-Dec-18			102	
Consorzio Imolese Pulizie soc.Cons. in liquidation	31-Dec-17					31-Dec-17		36	12	
	31-Dec-18					31-Dec-18		36	12	
Consorzio Polo Sterilizzazione Integrata a r.l.	31-Dec-17					31-Dec-17				
	31-Dec-18					31-Dec-18				
Consorzio Sermagest Soc.Cons.a r.l in liquidation	31-Dec-17					31-Dec-17				
	31-Dec-18					31-Dec-18				
CO.& MA. Soc. Cons. a r.l	31-Dec-17	360	1,281			31-Dec-17	120	20	709	
	31-Dec-18	360	1,120			31-Dec-18	300	20	929	
DUC Gestione Sede Unica Soc. Cons. a r.l.	31-Dec-17	7,058	3,090			31-Dec-17	3,464		1,042	
	31-Dec-18	7,216	3,455			31-Dec-18	3,666		773	
EOS Hijyen Tesis Hizmetleri Saglik Insaat Servis Muhendislik A.S.	31-Dec-17	38				31-Dec-17	480	882	(27)	260
	31-Dec-18					31-Dec-18				
Fr.lli Bernard s.r.l.	31-Dec-17	12	71			31-Dec-17	45	50	56	
	31-Dec-18	(4)	76			31-Dec-18	29	50	46	
Gestione Strade soc.cons.r.l.	31-Dec-17					31-Dec-17				
	31-Dec-18		84			31-Dec-18			95	

		Revenues	Costs	Financial income	Financial expenses		Trade Receivables	Financial assets and other	Trade payables	Financial liabilities and other
Gico Systems S.r.l.	31-Dec-17	10	713			31-Dec-17	7		532	
	31-Dec-18	11	1,381			31-Dec-18	9		986	
Global Provincia di RN Soc.Cons.a r.l. in liquidation	31-Dec-17					31-Dec-17		70	13	
	31-Dec-18					31-Dec-18		70	13	
Global Riviera Soc.Cons.a r.l.	31-Dec-17		12			31-Dec-17			(41)	
	31-Dec-18		8			31-Dec-18			(31)	
Global Vicenza Soc.Cons. a r.l.	31-Dec-17		9			31-Dec-17		570	467	
	31-Dec-18		11			31-Dec-18		10	17	
GR.A.AL. Soc. Cons. a. r.l.	31-Dec-17					31-Dec-17				
	31-Dec-18					31-Dec-18				
Grid Modena S.r.l.	31-Dec-17					31-Dec-17				
	31-Dec-18					31-Dec-18				
Gymnasium Soc. cons. a r.l in liquidation	31-Dec-17					31-Dec-17	1	8	33	5
	31-Dec-18					31-Dec-18	1	8	33	
IPP S.r.l.	31-Dec-17	233	19			31-Dec-17	125	59		
	31-Dec-18	135				31-Dec-18	126	60		
Legnago 2001 Soc. Cons. r.l.										
	31-Dec-17		4			31-Dec-17	158		45	
	31-Dec-18		4			31-Dec-18	158		50	
Livia Soc. cons. a r.l.	31-Dec-17					31-Dec-17			8	
	31-Dec-18					31-Dec-18				
Logistica Ospedaliera Soc. Cons. a r.l.	31-Dec-17		6			31-Dec-17			15	
	31-Dec-18					31-Dec-18			15	
Newco DUC Bologna S.p.A	31-Dec-17		11			31-Dec-17			37	
	31-Dec-18					31-Dec-18			37	
Palazzo della Fonte S.c.p.a.	31-Dec-17	4,069				31-Dec-17	1.367			
	31-Dec-18	5,240				31-Dec-18	2,154			
Progetto ISOM S.p.A.	31-Dec-17	302	255	120		31-Dec-17	12,203	2,043	474	
	31-Dec-18	149	86	60		31-Dec-18				
Roma Multiservizi S.p.A.	31-Dec-17	5,778	1,603			31-Dec-17	4,248		725	
	31-Dec-18	1,623	1,377			31-Dec-18	3,261		615	
San Martino 2000 Soc.Cons. r.l.	31-Dec-17	1,530	3,235			31-Dec-17	163		633	
	31-Dec-18	2,186	2,695			31-Dec-18	236		880	
Savia Soc. Cons. a r.l	31-Dec-17		16			31-Dec-17			44	
	31-Dec-18		(4)			31-Dec-18			36	
Serena S.r.l.—in liquidation	31-Dec-17					31-Dec-17		3		
	31-Dec-18					31-Dec-18		3		
Servizi Napoli 5 Soc.Cons. a r.l.	31-Dec-17	1,409	1,315			31-Dec-17	2,057		1,310	
	31-Dec-18	1,397	1,310			31-Dec-18	2,710		1,820	
Se.Sa.Mo. S.p.A.	31-Dec-17	5,103		26		31-Dec-17	1,451	607	7	
	31-Dec-18	5,080		27		31-Dec-18				
S.E.I. Energia Soc. Cons. a r.l.	31-Dec-17					31-Dec-17				
	31-Dec-18	53				31-Dec-18	63	735		
SESATRE S.cons. a r.l.	31-Dec-17	14	4,298	3		31-Dec-17	3	3	1,352	
	31-Dec-18		161			31-Dec-18			18	
Se.Ste.Ro S.r.l.	31-Dec-17					31-Dec-17				
	31-Dec-18					31-Dec-18				
S.I.MA.GEST2 Soc. Cons. r.l. in liquidation	31-Dec-17					31-Dec-17		75	13	2
	31-Dec-18					31-Dec-18		75	13	2
S.I.MA.GEST3 Soc. Cons. r.l in liquidation	31-Dec-17					31-Dec-17		3	3	
	31-Dec-18					31-Dec-18		3	3	
Società Consortile Adanti Manutencoop in liquidation	31-Dec-17					31-Dec-17			53	
	31-Dec-18					31-Dec-18			53	
Steril Piemonte Soc. cons. a.r.l	31-Dec-17		675	1		31-Dec-17	7	326	474	
	31-Dec-18		723			31-Dec-18	7	75	346	

		Revenues	Costs	Financial income	Financial expenses		Trade Receivables	Financial assets and other	Trade payables	Financial liabilities and other
Synchron Nuovo San Gerardo S.p.A.	31-Dec-17	6,055	397	187		31-Dec-17	7,153	2,520	719	
	31-Dec-18	5,979	211	202		31-Dec-18				
T&M Protection Resources Holdings Italy S.p.A.	31-Dec-17					31-Dec-17				
	31-Dec-18	6				31-Dec-18	7			
Tower Soc.Cons. a r.l. in liquidation	31-Dec-17					31-Dec-17	33	29		
	31-Dec-18					31-Dec-18	33	29		

Subsidiaries of Manutencoop Societa' Cooperativa

		Revenues	Costs	Financial income	Financial expenses		Trade Receivables	Finacnial assets and other	Trade payables	Financial liabiliteis and other
Cerpac S.r.l. in liquidation	31-Dec-17					31-Dec-17	1			
	31-Dec-18					31-Dec-18	1			
Manutencoop Immobiliare S.p.A.	31-Dec-17	10	1,049			31-Dec-17	3	173		
	31-Dec-18	10	1,016			31-Dec-18	3	173		
Nugareto Società Agricola Vinicola S.r.l.	31-Dec-17	18	27			31-Dec-17	10		20	
	31-Dec-18	15	10			31-Dec-18	1		5	
Sacoa S.r.l.	31-Dec-17	88	19			31-Dec-17	97		42	
	31-Dec-18	67	37			31-Dec-18	25	23	22	
Sacoa Servizi Telematici S.r.l.	31-Dec-17					31-Dec-17				
	31-Dec-18					31-Dec-18				
Segesta servizi per l'Ambiente S.r.l.	31-Dec-17	8				31-Dec-17	1			
	31-Dec-18	6				31-Dec-18	2			
MPH S.p.A.	31-Dec-17					31-Dec-17				
	31-Dec-18					31-Dec-18				

Associates of Manutencoop Societa' Cooperativa or other related parties

		Revenues	Costs	Financial income	Financial expenses		Trade Receivables	Financial assets and other	Trade payables	Financial liabilities and other
Consorzio Karabak Società Cooperativa	31-Dec-17	68	1			31-Dec-17	30		1	
	31-Dec-18	66				31-Dec-18	21			
Consorzio Karabak 2 Società Cooperativa	31-Dec-17	4	1			31-Dec-17				
	31-Dec-18	3	1			31-Dec-18	1		1	
Consorzio Karabak 4 Società Cooperativa	31-Dec-17		2			31-Dec-17			1	
	31-Dec-18		2			31-Dec-18			2	
Consorzio Karabak 5 Società Cooperativa	31-Dec-17					31-Dec-17				
	31-Dec-18					31-Dec-18			1	
Consorzio Karabak 6 Società Cooperativa	31-Dec-17					31-Dec-17				
	31-Dec-18					31-Dec-18				

		Revenues	Costs	Financial income	Financial expenses		Trade Receivables	Financial assets and other	Trade payables	Financial liabilities and other
TOTAL	**31-Dec-17**	**35,317**	**58,636**	**337**	**6,594**	**31-Dec-17**	**35,778**	**15,820**	**38,519**	**169,099**
	31-Dec-18	**33,258**	**51,641**	**290**	**8,890**	**31-Dec-18**	**16,027**	**16,994**	**20,727**	**512**

Annex IV

Statement of reconciliation of the reclassified statement of cash flows and the statutory schedules items

	For the year ended			
	2018		2017	
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**59,870**		**174,992**
CASH FLOW FROM CURRENT OPERATIONS:		**49,536**		**28,632**
Profit before taxes for the year	24,269		16,725	
Amortization, depreciation, write-downs and (write-backs) of assets	31,121		30,280	
Accrual (reversal) of provisions for risks and charges	2,584		143	
Employee termination indemnity provision	1,073		935	
Share of net profit of associates, net of dividends collected	2,841		3,610	
Financial charges (income) in the financial year	32,103		39,689	
Net interest received (paid) in the financial year	(25,823)		(43,495)	
Income tax paid in the financial year	(11,808)		(17,231)	
Reclassifications:				
Non-cash net financial charges accounted for under the Statement of profit or loss	*(6,824)*		*4,128*	
Non-monetary elements ("Oneri di Sistema" charges)	*0*		*(6,152)*	
USES OF PROVISIONS FOR RISKS AND CHARGES AND PAYMENTS OF THE EMPLOYEE TERMINATION INDEMNITY:		**(7,180)**		**(8,705)**
Payments of Employee termination indemnity	(1,875)		(2,453)	
Utilization of provisions	(5,305)		(6,252)	
CHANGE IN NWOC:		**14,965**		**69,170**
Decrease (increase) of inventories	(281)		(1,675)	
Decrease (increase) of trade receivables	11,289		24,131	
Increase (decrease) of trade payables and advances from customers	3,957		38,582	
Reclassifications:				
Additional charges relating to new loans accounted for according to the amortised cost method	*0*		*8,132*	
INDUSTRIAL AND FINANCIAL CAPEX:		**(18,449)**		**(32,882)**
(Purchase of intangible assets, net of sales)	(7,947)		(6,501)	
(Purchase of property, plant and equipment)	(24,040)		(25,048)	
Proceeds from sales of property, plant and equipment	457		498	
(Acquisition of investments)	11,041		(1,487)	
Decrease (increase) of financial assets	460		(27)	
Financial effects of Business combinations	(1,529)		0	
Net cash from assets held for sale	220		1,060	
Reclassifications:				
Net change in the balance of short-term financial assets, to be included in the balance of net financial liabilities	*3,580*		*(1,470)*	
Payables for acquisition of equity investments and business combinations	*(690)*		*93*	

	For the year ended			
		2018		2017
CHANGE IN NET FINANCIAL LIABILITIES:		**176,946**		**(139,358)**
Change in finance lease debt	(445)		2,708	
Acquisition of non-current borrowings	6,676		195,300	
Repayment of non-current borrowings	0		(324,310)	
Proceeds from/(repayment of) short term bank debt	(86)		(5,857)	
Other changes in financial debt	(14,391)		3,683	
Adjustments:				
Financial effects of Business combinations	*181,258*		*0*	
Reclassifications:				
Non-cash net financial charges accounted for under the Statement of Profit or Loss	*6,824*		*(4,128)*	
Net change in the balance of short-term financial assets, to be included in the balance of net financial liabilities	*(3,580)*		*1,470*	
Additional charges relating to new loans accounted for according to the amortised cost method	*0*		*(8,132)*	
Payables for acquisition of equity investments and business combinations	*690*		*(93)*	
OTHER CHANGES:		**(180,956)**		**(31,980)**
Decrease (increase) of other current assets	8,413		(5,902)	
Increase (decrease) of other current liabilities	(5,984)		(7,212)	
Dividends paid	(70)		(25,111)	
Acquisition/disposal of minority interests in subsidiaries	(1,500)		93	
Differences arising from translation of financial statements in foreign currency	(557)		0	
Adjustments:				
Financial effects of Business combinations	*(181,258)*		*0*	
Reclassifications:				
Non-monetary elements ("Oneri di Sistema" charges)	*0*		*6,152*	
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**94,733**		**59,870**

Rekeep S.p.A.

Consolidated financial statements as at December 31, 2018

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010
(Translation from the original Italian text)

To the Sole Shareholder of
Rekeep S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Rekeep Group (the Group), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in shareholders' equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of Rekeep S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Parent Company Rekeep S.p.A. or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in

aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010[1]

The Directors of Rekeep S.p.A. are responsible for the preparation of the Report on Operations of Rekeep Group as at December 31, 2018 including its consistency with the related consolidated financial statements and its compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations, with the consolidated financial statements of Rekeep Group as at December 31, 2018 and on its compliance with the applicable laws and regulations, and in order to assess whether it contains material misstatements.

[1] The Report on Operations is not included in this Offering Memorandum

In our opinion, the Report on Operation is consistent with the consolidated financial statements of Rekeep Group as at December 31, 2018 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Bologna, April 8, 2019

EY S.p.A.
Signed by: Alberto Rosa, partner

This report has been translated into the English language solely for the convenience of international readers.

Consolidated financial statements
At 31 December 2017

CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2017

(in thousands of Euro)	Note	31 December 2017	31 December 2016
Assets			
Non-current assets			
Property, plant and equipments	3	65,564	64,483
Property, plant and equipments under lease	3	5,779	1,627
Goodwill	4-5	370,363	370,456
Other intangible assets	4	25,169	26,114
Investments accounted for under the equity method	6	27,294	30,534
Other investments	7	4,757	3,850
Non-current financial assets	7	11,369	11,769
Other non-current assets	7	2,998	2,323
Deferred tax assets	33	16,383	20,971
Total non-current assets		**529,676**	**532,127**
Current assets			
Inventories	8	6,057	4,382
Trade receivables and advances to suppliers	9	429,165	456,095
Current tax receivables	28	8,745	3,500
Other current assets	9	30,842	25,932
Current financial assets	10	1,870	2,387
Cash and cash equivalents	10	59,870	174,992
Total current assets		**536,549**	**667,288**
Assets held for sale		0	0
Total non-current assets held for sale		**0**	**0**
Total assets		**1,066,225**	**1,199,415**

CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2017

(in thousands of Euro)	Note	31 December 2017	31 December 2016
Shareholders' equity			
Share capital		109,150	109,150
Reserves		144,854	187,856
Retained earnings		43,755	(7,518)
Profit/(loss) for the year attributable to equity holders of the Parent		642	33,649
Equity attributable to equity holders of the parent		**298,401**	**323,137**
Capital and reserves attributable to non-controlling interests		308	351
Profit/(loss) for the year attributable to non-controlling interests		73	(116)
Equity attributable to non-controlling interests		**381**	**235**
Total shareholders' equity	**11**	**298,782**	**323,372**
Non-current liabilities			
Employee termination indemnity	12	15,519	17,043
Provisions for risks and charges, non-current	13	27,624	44,522
Long-term financial debt	15	175,281	305,482
Deferred tax liabilities	33	12,294	11,812
Other non-current liabilities		86	50
Total non-current liabilities		**230,804**	**378,909**
Current liabilities			
Provisions for risks and charges, current	13	6,711	10,715
Trade payables and advances from customers	16	393,022	346,308
Current tax payables	28	326	1,363
Other current liabilities	16	93,415	85,909
Bank borrowings, including current portion of long-term debt, and other financial liabilities	15	43,165	52,839
Total current liabilities		**536,639**	**497,134**
Liabilities directly associated with non-current assets held for sale	10	0	0
Total liabilities directly associated with non-current assets held for sale		**0**	**0**
Total liabilities		**1,066,225**	**1,199,415**

CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2017

(in thousands of Euro)	Note	For the year ended 31 December 2017	31 December 2016
Revenue			
Revenue from sales and services	18	916,127	926,758
Other revenue	19	1,964	2,340
Total revenue		**918,091**	**929,098**
Operating costs			
Costs of raw materials and consumables	20	(119,742)	(117,615)
Change in inventories of finished and semi-finished products		0	(55)
Costs for services and use of third-party assets	21	(328,258)	(331,365)
Personnel costs	22	(382,138)	(376,266)
Other operating costs	23	(281)	(7,900)
Lower costs for internal work capitalised		935	0
Amortization, depreciation, write-downs and write- backs of assets	24	(30,280)	(32,714)
Accrual (reversal) to provisions for risks and charges	13	(143)	10,107
Total operating costs		**(859,907)**	**(855,808)**
Operating income		**58,184**	**73,290**
Financial income and expenses			
Share of net profit of associates		(1,945)	1,688
Dividend and net income/(loss) from sale of investments	25	175	498
Financial income	26	3,762	1,964
Financial expenses	27	(43,125)	(30,183)
Gains / (losses) on exchange rate		(326)	(38)
Profit/(loss) before taxes from continuing operations		**16,725**	**47,219**
Income taxes	28	(16,010)	(14,738)
Profit/(loss) from continuing operations		**715**	**32,481**
Profit/(loss) after taxes from discontinued operations	29	0	1,052
Net profit (loss) for the year		**715**	**33,533**
Net profit (loss) attributable to non- controlling interests		(73)	116
Net profit (loss) for the year		**642**	**33,649**

	For the year ended 31 December 2017	31 December 2016
Basic earnings/(losses) per share	0.006	0.308
Diluted earnings/(losses) per share	0.006	0.308
Basic earnings/(losses) per share from continuing operations	0.006	0.299
Diluted earnings/(losses) per share from continuing operations	0.006	0.299

CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2017

(in thousands of Euro)	Note	For the year ended 31 December 2017	31 December 2016
Net profit /(loss) for the year		**715**	**33,533**
Other components of the comprehensive income, which will be subsequently reclassified under profit/(loss) for the year:			
Differences arising from translation of financial statements in foreign currency		(75)	(11)
Share of other comprehensive income for the year of entities accounted for using the equity method, which will be subsequently reclassified under profit/(loss) for the year	6	(220)	342
Other components of the comprehensive income for the year, which will be subsequently reclassified under profit/ (loss) for the year		**(295)**	**331**
Other components of the comprehensive income, which will be subsequently reclassified under profit/ (loss) for the year:			
Actuarial gains /(losses on defined benefit plans		7	(398)
Income taxes		(9)	28
Net effect of actuarial gains /(losses)	**12**	**(2)**	**(370)**
Share of other comprehensive income for the year of entities accounted for using the equity method, which will not be subsequently reclassified under profit/(loss) for the year	6	10	(58)
Other components of the comprehensive income for the year, which will not be subsequently reclassified under profit/(loss) for the year		**8**	**(428)**
Total profit/(loss) in the statement of comprehensive income, net of taxes		**(287)**	**(97)**
Total comprehensive income/(loss), net of taxes		**428**	**33,437**
Equity holders of the Parent		355	33,553
Non-controlling interests		73	(116)

CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

(in thousands of Euro)	Note	For the year ended 31 December 2017	31 December 2016
Net profit (loss) from continuing operations for the year		**715**	**32,481**
Income taxes for the year		16,010	14,738
Profit/(Loss) before taxes from continuing operations		**16,725**	**47,219**
Profit(loss) for the period from discontinued operations		0	*1,052*
Capital (profits)/losses from discontinued operations		0	*(1,409)*
Amortization, depreciation, write-downs and (write-backs) of assets		30,280	32,714
Accrual (reversal) of provisions for risks and charges		143	(10,107)
Employee termination indemnity provision		935	889
Payments of employee termination indemnity		(2,453)	(2,673)
Utilization of provisions for risks and charges		(6,252)	(7,503)
Share of net profit of associates, net of dividends collected		3,610	(1,688)
Financial charges (income) for the year		39,689	28,257
Operating cash flows before movements in Working Capital		**82,677**	**86,751**
Of which related to discontinued operations		*0*	*(1,409)*
Of which related to continuing operations		*82,677*	*88,160*
Decrease (increase) of inventories		(1,675)	381
Decrease (increase) of trade receivables		24,131	58,123
Decrease (increase) of other current assets		(5,902)	4,804
Increase (decrease) of trade payables		38,582	(33,828)
Increase (decrease) of other current liabilities		(7,212)	(8,621)
Change in Working Capital		**47,924**	**20,859**
Net interest received (paid) in the year		(43,495)	(26,471)
Income tax paid in the year		(17,231)	5,300
Net cash flow from operating activities		**69,876**	**86,439**
Purchase of intangible assets, net of sales	4	(6,501)	(6,857)
Purchase of property, plant and equipment	3	(25,048)	(23,677)
Proceeds from sales of property, plant and equipment	3	498	835
Acquisition of investments		(1,487)	(505)
Decrease (increase) of financial assets		(27)	(490)
Discontinuing activities	29	1,060	9,274
Net cash flow used in investing activities		**(31,504)**	**(21,420)**
Change in finance lease debt	15	2,708	(570)
Acquisition of non-current borrowings	15	195,300	0
(Repayment) of non-current borrowings	15	(324,310)	0
Proceeds from/(repayment of) short term bank debt	15	(5,857)	(22,207)
Proceeds from non-current borrowings	15	3,683	18,386
Dividends paid	11	(25,111)	(25)
Changes of minority interests in subsidiaries	11	93	(4)
Net cash flow from / (used in) financing activities		**(153,494)**	**(4,420)**
Changes in cash and cash equivalents		**(115,122)**	**60,599**
Cash and cash equivalents at the beginning of the year		174,992	114,393
Changes in cash and cash equivalents		(115,122)	60,599
Cash and cash equivalents at the end of the year		**59,870**	**174,992**
Details of cash and cash equivalents:			
Cash and bank current accounts		59,870	174,992
TOTAL CASH AND CASH EQUIVALENTS		**59,870**	**174,992**

Supplementary information (in thousands of Euro)	For the year ended 31 December 2017	31 December 2016
Interest paid	(47,254)	(28,712)
Interest received	3,759	2,241
Dividends paid	(25,111)	0
Dividends received	1,840	483

CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2017

	Share capital	Reserves	Retained earnings	Result for the year	Total Shareholders' equity attributable to equity holders of the parent	Equity attributable to non-controlling interests	Total shareholders' equity
1 January 2017	**109,150**	**187,856**	**(7,518)**	**33,649**	**323,137**	**235**	**323,372**
Allocation of previous year result		(42,715)	51,273	(8,558)	**0**	0	**0**
Dividends distribution				(25,091)	**(25,091)**	(20)	**(25,111)**
Acquisition/sale of minority interests in subsidiaries					**0**	93	**93**
Total comprehensive income		(287)		642	**355**	73	**428**
31 December 2017	**109,150**	**144,854**	**43,755**	**642**	**298,401**	**381**	**298,782**

	Share capital	Reserves	Retained earnings	Result for the year	Total Shareholders' equity attributable to equity holders of the parent	Equity attributable to non-controlling interests	Total shareholders' equity
1 January 2016	**109,150**	**188,349**	**37,498**	**(45,412)**	**289,585**	**380**	**289,965**
Allocation of previous year result		(396)	(45,016)	45,412	**0**	0	**0**
Dividends distribution					**0**	(25)	**(25)**
Acquisition/sale of minority interests in subsidiaries					**0**	(4)	**(4)**
Total comprehensive income for the year		(97)		33,649	**33,553**	(116)	**33,437**
31 December 2016	**109,150**	**187,856**	**(7,518)**	**33,649**	**323,137**	**235**	**323,372**

CONSOLIDATED FINANCIAL STATEMENTS
EXPLANATORY NOTES
FOR THE YEAR ENDED DECEMBER 31, 2017

1. General information

The publication of the consolidated Financial Statements of the Manutencoop Facility Management Group (the "MFM Group" or the "Group") for the year ended 31 December 2017 was authorized by resolution of the Board of Directors of 19 March 2018.

At 31 December 2017 the Group was wholly owned by the sole shareholder CMF S.p.A..

On 25 May 2017 CMF S.p.A. was established for the launch of a bond issue (Senior Secured Notes) with the purpose of repurchasing the Notes already issued by subsidiary Manutencoop Facility Management S.p.A. (hereinafter "MFM S.p.A.") during 2013 and repaying the other financial payables of the entire Group controlled by Manutencoop Società Cooperativa. The transaction, which was accompanied by a corporate reorganisation of the group, provided Manutencoop Società Cooperativa with the financial resources required to allow the exit of the Investors holding non-controlling interests in MFM S.p.A. in consideration of the Investment Agreements that were signed in previous years. In fact, on 13 October, CMF S.p.A. completed the purchase of the shares of the Investors, representing 33.2% of the share capital of MFM S.p.A., in accordance with the Call Option transferred to it by Manutencoop Società Cooperativa and recognised by the Shareholders' Agreement signed in July 2016. On the same date, there was also the transfer and sale of the additional shares of MFM S.p.A. owned by Manutencoop Società Cooperativa to CMF S.p.A., which thus became its sole shareholder.

1.1 The business

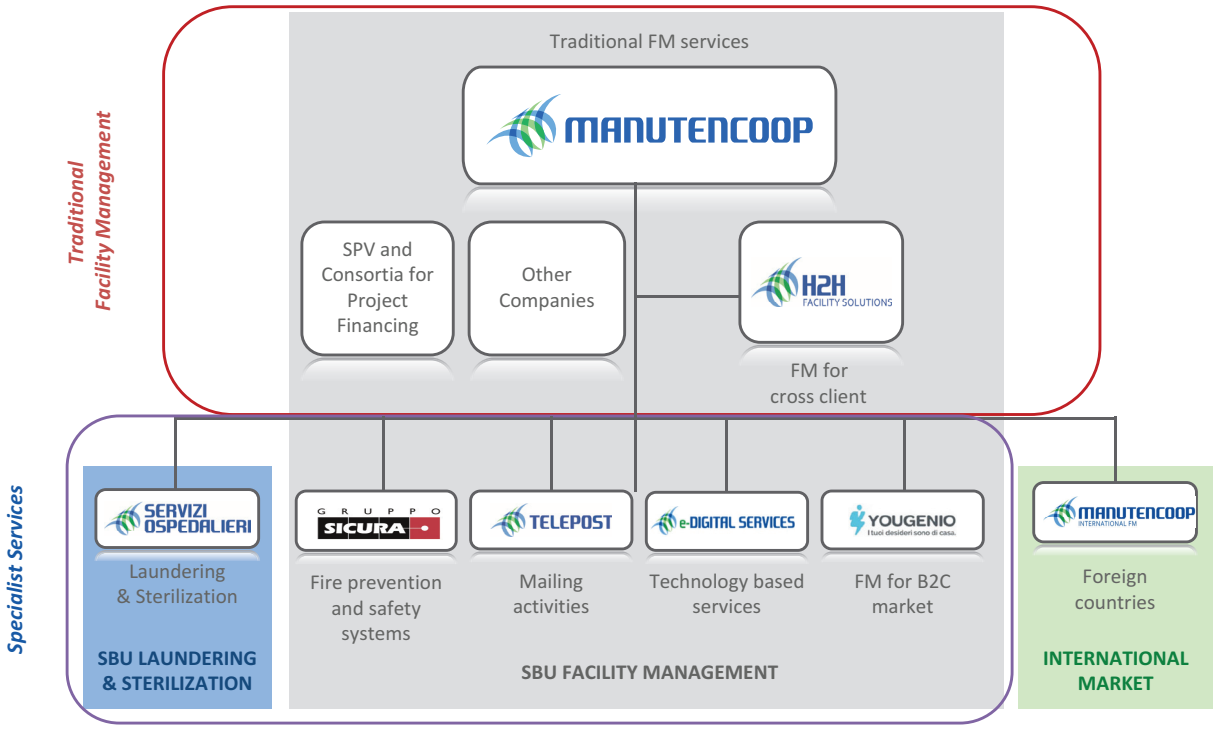
The Group is active in the management and provision of integrated services to public and private customers, targeted at properties, the area and to support so-called "Integrated Facility Management" health care activities.

In particular, the MFM Group provides a wide and coordinated range of integrated services throughout Italy, aimed at rationalising and improving the quality of the non-strategic and auxiliary activities of major private groups, public authorities and health care facilities.

At present the MFM Group is structured into a single operating holding company which combines so-called "traditional" facility management production resources with those related to supporting the whole Group's business. As early as from the previous financial years a strategy has been pursued by the central holding functions to diversify: (i) operations, also through a series of acquisitions, with some "specialist" facility management services beside the historical core business (hygiene services, green spaces and technical and maintenance services): these services involve fire prevention and safety products and systems, in addition to linen rental and industrial laundering services and surgical instrument sterilization at healthcare facilities and high technology B2B services, (ii) markets, through the sub-holding Manutencoop International FM S.r.l., which was established to start the commercial development in international markets at the end of 2015.

During 2016 diversification was further boosted in May by establishing Yougenio S.r.l., an innovative start-up active in the provision of services to private consumers through an e-commerce platform, in which MFM invests indirectly through its subsidiary e-Digital Services S.r.l., which is the ultimate parent company. This event led the Group to enter the B2C services market.

Therefore, the Group now operates through specific companies for each sector:



The Facility management segment offers a collection of logistic and organizational support services targeted at users of properties and aimed at optimizing the management of property-related activities.

The so-called ''traditional'' Facility management services provided by the MFM Group include the following activities:

- Cleaning;
- Technical Services;
- Landscaping.

Cleaning activity includes cleaning and hygiene services, sanitation, disinfection, pest control and rat extermination, collection, transport and disposal of hospital waste and employs the highest number of Group employees.

The so-called Technical Services encompass the management, operation and maintenance services of property-related systems (including heating and air conditioning systems, electrical systems, fire prevention and safety systems), including therein:

- design and implementation of redevelopment and adjustment work into line with the safety legislation;
- design and installation of devices for energy saving and for the reduction of emissions of polluting agents into the atmosphere.

Finally, a third type of activities attributable to the Facility management service rendered by the Group is the so-called Landscaping, i.e. a service for the maintenance of green spaces, which includes both the planning and implementation of maintenance of properties' green areas, and services for the area.

Furthermore, the Group, through a series of acquisitions expanded its range of services providing certain specialist Facility Management services alongside its ''traditional'' Facility management services, such as:

- services related to building security;

- mail services;
- document management.

Finally, with the incorporation of e-Digital Services S.r.l. at the end of 2015 and of Yougenio S.r.l. during 2016, the Group embarked on a path to growth in the markets of "business to business" (B2B) and "business to consumer" (B2C) services. The B2B business sector in particular is based on the utilisation of expertise which has been built up in the spheres of applications, management and sourcing. On the other hand the objective of the B2C business sector is to enter the Consumer market for household and personal services, taking advantage of the creation of a digital platform easily accessible to a broad range of potential customers.

The so-called Laundering & Sterilization is an industrial activity given in support of health care activities. The activity, provided by the MFM Group, in particular through Servizi Ospedalieri S.p.A. and its subsidiaries, mainly involves (i) the rental and industrial laundering of bed linens, packaged linen and mattress provider (linen rental and industrial laundering), (ii) Sterilization of linen and (iii) Sterilization of surgical equipment.

Laundering & Sterilization services provided by the Group also include the following activities:

- collection and distribution of linen in the individual departments;
- management of the linen rooms in the health care facilities;
- supply of disposable items;
- rental of linen with special materials for operating rooms;
- acceptance, treatment, sterilization and redelivery of surgical instruments;
- rental of surgical instruments;
- creation and management of sterilization systems.

The so-called Project Management consists of a group of activities involving the technical design, planning, procurement management and supervision of job orders for the construction, restructuring or reconversion of properties. The so-called Energy Management consists of a group of activities involving the technical design, construction and operation of photovoltaic and cogeneration plants, from the feasibility study to completion, as well as the operation and maintenance of systems to provide customers with energy efficiency solutions.

The Building activities consist of construction projects, which are not particularly significant in respect of total Group production and which are also carried out on behalf of other Manutencoop Group companies, as well as, on occasion, to support facility management activities where, as part of non-ordinary maintenance works, small building works are also necessary. Currently, the Management does not consider Building activities to be strategic any longer and has therefore decided not to develop those areas of business any further, and it will just manage, in the near future, the commitments it has already taken on with respect to ongoing contracts with customers until they will be completed.

2. Accounting standards and basis of presentation

The consolidated Financial Statements at 31 December 2017 comprise the Consolidated Statement of financial position, the Consolidated Statement of profit or loss, the Consolidated Statement of other comprehensive income, the Consolidated Statement of Cash flows, the Consolidated Statement of changes in Shareholders' Equity and the related Explanatory Notes.

The consolidated Financial Statements at 31 December 2017 were prepared on a historical cost basis, except for the derivative financial instruments that have been measured at fair value.

After considering the possible areas of doubt regarding the continuation of business, including the market risks associated with the pending proceedings described in notes 13 and 31 of the

Notes to the Consolidated Financial Statements, the Directors decided to prepare the financial statements on the going concern basis.

The Statement of Financial Position sets forth assets and liabilities distinguishing between current and non-current. The Statement of profit or loss classifies costs by nature, while the Statement of other comprehensive income sets forth the result for the period added with income and expenses, that in accordance with IFRS, are directly recognized in the Shareholders' Equity. The Statement of Cash flows has been prepared on the basis of the indirect method and presented in accordance with IAS 7, distinguishing between cash flow from operating, investing and financing activities.

The Financial Statements at 31 December 2017 have been presented in Euro, which is the Group's functional currency. All values showed in the statements and in the explanatory notes are in thousands of Euro, unless otherwise stated.

2.1 Statement of compliance with international accounting standards (IFRS)

The Consolidated Financial Statements at 31 December 2017 have been prepared in accordance with the International Financial Reporting Standards ("IFRS"). The MFM Group is subject to Letter f) of Article 2 under the Italian Legislative Decree no. 38 of 28 February 2005, which rules the exercise of the options provided for by the Article 5 of Regulation (EC) 1606/2002 about the International Financial Reporting Standards and, therefore, pursuant to Article 3, paragraph 2, and Article 4, paragraph 5, of the aforesaid Italian Legislative Decree, the Group has applied the IFRS as adopted by the European Union in the preparation of its consolidated and separate Financial Statements as from the year ended 31 December 2005.

2.2 Changes in accounting standards and disclosures

The criteria adopted for the preparation of the consolidated Financial Statements are consistent with those used to prepare the consolidated Financial Statements of the previous year, with the exception of the aspects detailed below for the standards and interpretations which are newly issued and applicable from 1 January 2017.

The Group did not provide for the early adoption of any standard, interpretation or improvement issued but still not obligatorily in force.

New or revised IFRS and interpretations applicable as from 1 January 2017

The Group has adopted, for the first time, some amendments to the standards that are applicable for the financial years that commenced on or after 1 January 2017.

The amendments are described below:

- Amendments to IAS7—Statement of Cash Flows. The improvement gives indications on the disclosures to be provided in relation to the liabilities that arise from financing activities, including any cash and non-cash changes (such as, for example, foreign exchange gains or losses).

- Amendments to IAS12—Recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value. An entity must establish whether tax regulations restrict the tax deduction from which the temporary difference arises. Furthermore, the amendments give indications on how an entity should calculate future taxable income and explain the circumstances in which taxable income can ensure the recoverability of these assets.

- Amendments to IFRS 12—"Disclosure of Interests in Other Entities" are included in the annual improvements for 2014-2016 cycle in relation to IFRS.

The adoption of the above Standards and Interpretations has had no impact at all on the Group's Consolidated Financial Statements.

New or revised IFRS and interpretations applicable from subsequent years and not adopted by the Group in advance

The Group is studying these standards and is assessing the impact they will have on its consolidated Financial Statements, but does not intend to promote an early adoption. The innovations brought in are described below.

IFRS15 – Revenues from contracts with customers (applicable from the financial years that will end after 1 January 2018). The new standard replaces the previous IAS11—Construction contracts, IAS18—Revenue, IFRIC13—Customer Loyalty Programme, IFRIC15—Agreements for the construction of real estate, IFRIC18—Transfers of Assets from Customers, SIC31—Barter Transactions Involving Advertising Services. This standard provides a model for the recognition and measurement of all revenues from non-financial assets, including the disposals of property, plant and equipment or intangible assets. The general principle is that the entity must recognise revenue in the amount corresponding to the consideration to which it expects to be entitled for transferring goods or providing a service to a customer. Guidelines are laid down for identifying the contract, the performance obligations and the transaction price. If there are multiple services, suggestions are also given regarding the allocation of their prices. Finally, the criteria for accounting for the revenue when the performance obligation has been satisfied are explained and suggestions are made for accounting for the incremental costs of obtaining the contract if these costs are directly attributable to its performance. Finally, the standard provides guidance on its application to specific issues such as licences, guarantees, right of withdrawal, agency relationships, termination of contracts. The standard is applicable according to a full retrospective approach or a modified retrospective approach. Furthermore, in April 2016 the IASB issued some amendments to IFRS15, containing some clarifications on its application, which also became applicable from 1 January 2018. The qualitative analysis continued during the year, which had been started as early as from 2016, to assess the potential impact that the application of the new standard IFRS 15—Revenue from Contracts with Customers may have on the consolidated financial statements, opting for the application of the simplified retrospective approach. No potential significant impact is expected to affect the Group's financial position, results of operations and cash flows based on a preliminary evaluation.

IFRS9—Financial Instruments (applicable from the financial years that will end after 1 January 2018). The aim of the new standard is to make it simpler for the user of the financial statements to understand the amounts, timing and uncertainty of cash flows by replacing the different types of financial instruments referred to in IAS 39. In fact all financial assets are initially accounted for at fair value, adjusted by transaction costs if they are not accounted for at fair value through profit or loss (FVTPL). Nevertheless, trade receivables that do not have a significant financial component are initially measured at their transaction price, as defined by the new IFRS 15—Revenues from Contracts with Customers. Debt instruments are measured on the basis of the contract cash flows and the business model on the basis of which they are held. Instruments only involving cash flows for the payment of interest and principal are accounted for according to the amortised cost method, while those also involving the exchange of financial assets are measured at fair value in the OCIs and subsequently reclassified in profit or loss (FVOCI). Finally, there is an express option for accounting at fair value (FVO). Similarly, all equity instruments are initially measured at FVTPL but the entity has an irrevocable option to account for it at FVTOCI. Any additional classifications and the measurement rules laid down under IAS39 have been reported under the new IFRS9. As regards impairment, the IAS39 model based on the losses incurred has been replaced by the ECL (Expected Credit Loss) model. Finally, some changes are made in Hedge Accounting, with the possibility of conducting a prospective effectiveness and quality test, measuring risk factors independently if they can be identified. No potential significant impact is expected to affect the Group's financial position, results of operations and cash flows based on a preliminary qualitative evaluation of IFRS9.

IFRS16—Leases (applicable from the financial years that will end after 1 January 2019). The scope of application of the new standard includes all lease agreements, subject to some exceptions. A lease is an agreement that grants the right to use an asset ("the underlying asset") for a certain

period of time against the payment of a consideration. The method to account for all leases is based on the model provided for in IAS 17, while excluding any lease that involves goods of little value (e.g.: computers) and short-term contracts (e.g.: with a term of less than 12 months). Therefore, a liability must be recognised as at the date on which the lease is stated in the accounts, for the rentals to be paid and the asset in relation to which the entity has a right to use, accounting for financial charges and the asset's amortisation/depreciation separately. The liability may be recalculated (for example, due to amendments to contract terms and conditions or due to a change in indexes to which the payment of rentals for use is linked) and this change must be accounted for on the underlying asset. In fact, as regards the lessor, the accounting method is substantially unchanged with respect to the provisions laid down under the current IAS17. The standard must be applied on a modified retrospective basis, while early adoption is permitted at the same time as IFRS15. The Group has started an analysis of the potential impact that the application of the new standard may have on the financial position, results of operations and cash flows and on the disclosure provided in the Financial Statements.

IFRIC 22—Foreign Currency Transactions and Advance Consideration (applicable from the financial years that will end after 1 January 2018). The interpretation clarifies the type of exchange rate to be used in transactions that include the receipt or payment of advance consideration in a foreign currency. No significant impact is expected from the application of the interpretation on the Consolidated Financial Statements.

IFRS17—Insurance Contracts (applicable from the financial years that will end after 1 January 2021). The standard replaces the previously applicable IFRS 4 and requires all insurance contracts to be accounted for in a consistent manner, as well as insurance obligations to be accounted for by using current values instead of historical costs. The new standard requires the current estimates of future cash flows and the recognition of the profit in the period in which services are provided under the contract. IFRS 17 also requires the entities to disclose the results from insurance services (including the presentation of insurance revenue) separately from revenue or costs in the insurance sector, as well as to make an accounting policy choice on the recognition of all financial income and costs from insurance services through profit or loss or to state some of these income or costs in other comprehensive income. The standard will be applicable for financial years commencing on 1 January 2021, with early adoption permitted. No significant impact is expected from the application of the new standard on the Consolidated Financial Statements.

IFRIC 23—Uncertainty over Income Tax treatments (applicable from the financial years that will end after 1 January 2019). The interpretation clarifies the accounting for uncertainties in income taxes in the application of recognition and measurement requirements in IAS 12—"Income taxes". The interpretation specifically concerns: (i) whether an entity considers uncertain tax treatments separately, (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities, (iii) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates and (iv) how an entity considers changes in facts and circumstances. The interpretation does not add new disclosure requirements: however, it deals with the requirements laid down in IAS 1 relating to disclosures on judgments, information on the assumptions made and other estimates and information on contingent tax items under IAS 12 "Income taxes". An entity may elect to apply the interpretation either (i) retrospectively using IAS 8 *"Accounting Policies, Changes in Accounting Estimates and Errors",* if that is possible; or (2) retrospectively, with the cumulative effect of initially applying the Interpretation recognised at the date of initial application as an adjustment to equity and without any restatement of comparative information. The date of initial application is the beginning of the annual reporting period in which an entity applies this interpretation for the first time. No significant impact is expected from the application of the new standard on the Consolidated Financial Statements.

Amendments to IFRS9—Prepayment Features with Negative Compensation (applicable from the financial years that will end after 1 January 2019). It enables the entities to measure certain particular prepayable financial assets with so-called negative compensation at amortised cost or

at fair value through "other comprehensive income", if a specific condition is satisfied, instead of measuring them at fair value through profit or loss. The Group is assessing the impact from the adoption of these amendments on the Consolidated Financial Statements.

Amendments to IAS28—Long-term interests in associates and joint ventures (applicable from the financial years that will end after 1 January 2019). It clarifies how entities must use IFRS 9 to recognise long-term interests in associates or joint ventures, for which the equity method is not applied. The Group is assessing the impact from the adoption of these amendments on the Consolidated Financial Statements.

Finally, in February 2018 the IASB issued the "Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)" document, which specifies how the entities must determine pension expenses when changes to a certain pension plan occur. IAS 19 "Employee Benefits" specifies how an entity accounts for a defined-benefit plan. When a plan amendment, adjustment, curtailment or settlement occurs, IAS 19 requires entities to remeasure the net defined-benefit asset or liability. The amendments require entities to use the updated assumptions based on such remeasurement to determine current service cost and net interest for the remainder of the period after a plan amendment. The amendments will be applicable after 1 January 2019. The Group is assessing the impact from the adoption of these amendments on the Consolidated Financial Statements.

Improvements to IFRS

The Annual improvement to international standards is the instrument by which the IASB introduces amendments or improvements to the standards that are already being applied, thus promoting the ongoing review of the accounting policies of the IAS adopters.

The series of improvements, which was issued in December 2016, concerned the elimination of the short-term exemptions required for the First Time Adoption under IFRS1, the classification and measurement of investments at fair value through profit or loss according to IAS 28—Investments in Associates and Joint Ventures, as well as clarifications on the scope of disclosures required by IFRS12—Disclosures of Interests in Other Entities. The amendments will be obligatory applicable as from the financial years that will end after 1 January 2017 and 1 January 2018.

In December 2017, the IASB also issued the "Annual Improvements to IFRS 2015-2017 Cycle", which make amendments to IFRS in response to issues mainly raised about: (I) IFRS 3—"Business Combinations", clarifying that when an entity obtains control of a business that is a joint operation, it must remeasure previously held interests in that business; (II) IFRS 11—"Joint Arrangements", clarifying that when an entity obtains control of a business that is a joint operation, it does not remeasure previously held interests min that business; (III) IAS 12—"Income Taxes", clarifying that the impact relating to income taxes arising from dividends (i.e. distribution of profits) should be recognised through profit or loss, regardless of how the tax arises; (IV) and IAS 23—"Borrowing Costs", clarifying that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally. The amendments will be applicable from 1 January 2019.

No significant impact is expected from the application of the new standard on the Consolidated Financial Statements.

2.3 Discretionary assessments and significant accounting assumptions

The preparation of the consolidated Financial Statements requires Directors to make discretionary assessments, estimates and assumptions that affect the amounts of revenues, costs, assets and liabilities, and the indication of contingent liabilities at the date of the financial statements. However, the uncertainty of these assumptions and estimates could lead to outcomes which may require a significant adjustment to the carrying amount of said assets and/or liabilities in the future.

Discretionary assessments

The main decisions taken by the Directors, on the basis of discretionary assessments (excluding those relating to accounting estimates), in the application of the accounting standards of the

Group, with a significant effect on the values recognized in the accounts relate to the adoption, starting from 2007, of the continuity of values principle for the recognition of business combinations under common control. Application of this principle gives rise to the recognition in the statement of financial position of values equal to those that would be recorded if the companies involved in the business combination had always been combined. The net assets of the acquiree and of the acquiring entity are therefore recorded on the basis of the carrying amounts included in their respective accounts before the transaction.

Uncertainty of estimates

The key assumptions regarding the future and other significant sources of uncertainty relating to estimates as at the period ending date of the Consolidated Financial Statements are detailed below.

Impairment test

Goodwill is subject to impairment test at least annually, or more frequently if there is an indication of potential impairment in the carrying amounts. This requires an estimate of the value in use of the CGU (cash-generating unit) to which the goodwill is allocated, in turn based on an estimate of expected cash flows from the CGU and their discounting on the basis of a suitable discount rate.

At 31 December 2017 the carrying amount of the Goodwill was equal to € 370,363 thousand (down by € 93 thousand compared to 31 December 2016). See note 5 for details.

Provisions for risks and charges and Allowance for doubtful accounts

Provisions representing the risk of negative outcomes of legal and tax issues have been set aside. The value of the provisions recognized in the accounts in relation to these risks is the best estimate made by the Directors at that date. Write-downs of trade receivables were recognised in an adjusting provision against failure to collect debts from clients. The value of the provisions recognised in the accounts in relation to these risks is the best estimate made by the Directors at that date. The estimates entail the adoption of assumptions depending on factors which could change in time and could therefore have a substantial impact on the Directors' current estimates used to prepare the Group's Consolidated Financial Statements.

Recognition of the present value of liabilities for Put Options on minority shares of subsidiaries and of the present value of liabilities for Earn-outs on acquisitions made

The Group held majority interests in subsidiaries in past years in relation to which the minority shareholders held PUT options, which can be exercised in the future at prices determined on the basis of certain parameters that require estimates from management for the purposes of reliable valuation.

Similarly, the contract for the purchase of certain majority interests in subsidiaries provided for the transferors, i.e. the current minority shareholders, to be granted an earn-out upon the fulfilment of given conditions on a certain future date. In this case, the correct recognition in the financial statements of the related liability requires management to make some estimates to determine the expected relevant parameters.

Recognition of revenues and costs relating to contract work in progress

The Group uses the percentage of completion method to account for the portion of long-term contracts for the building and improvement of properties or technological plants for which it does construction work. The margins recognised in profit and loss depend both on the progress of the works and the margins on the entire work when completed; therefore if work in progress and margins on work not yet completed are to be recognised correctly, the Directors must make correct estimates of the costs of completion, possible increases in cost, delays, extra costs and penalties which could reduce the expected margin. The use of the percentage of completion method requires the Group to estimate the costs of completion, which entails the adoption of assumptions depending on factors which could change in time and could therefore have a substantial impact on current estimates. Should actual costs be different from estimated costs, this change will impact on the results for future periods.

Deferred tax assets, in particular relating to the likelihood of these being reversed in the future

Deferred tax assets are recognised to the extent that there is a likelihood of there being sufficient future taxable profit for the losses to be utilised. This means that the management must make a strong commitment to working out a correct estimate of the amount of tax assets which can be recognised on the basis of the level of future taxable profit, the timing of the receipt of the profits and tax planning strategies.

Main assumptions applied to the actuarial valuation of the TFR (employee termination indemnity), such as the future turnover rate and discount financial rates

The cost of defined-benefit pension plans and of any other post-employment medical benefit, as well as the present value of the defined-benefit liability, are determined on the basis of actuarial assumptions. Actuarial assessments require various assumptions to be made which can differ from actual developments in the future. These assumptions also include the calculation of the discount rate, future pay rises, the mortality rate and future increases in pensions. Owing to the complexity of the assessment and its long-term nature, these estimates are extremely sensitive to changes in assumptions. All the assumptions are reviewed on an annual basis. See note 12 for details.

Consolidation principles

The Consolidated Financial Statements include the financial statements of MFM S.p.A. (the ''Parent Company") and its subsidiaries, prepared as at 31 December 2017. The financial statements of the subsidiaries have been prepared by adopting for each closing date the same accounting standards as those applied for the parent company.

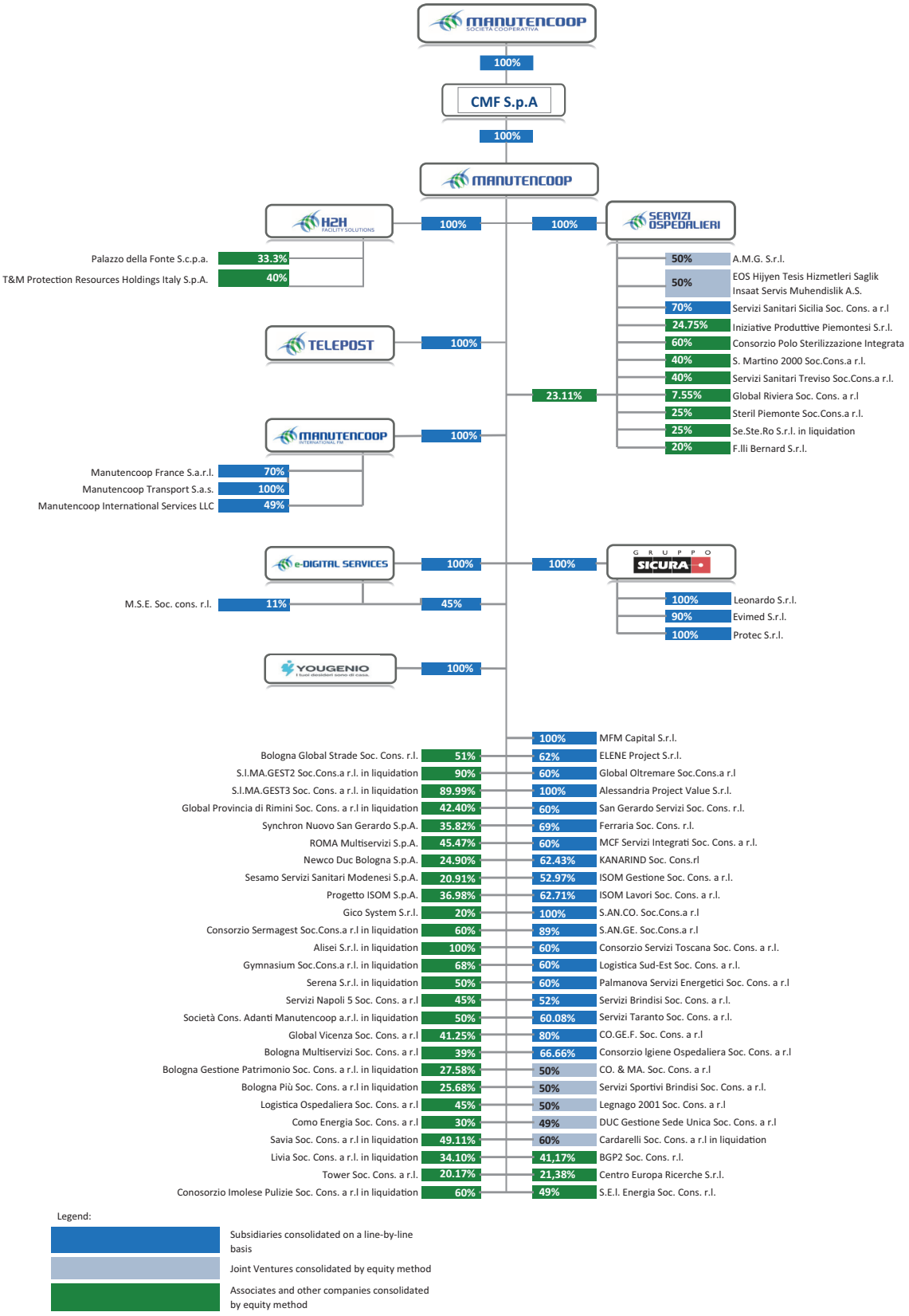
All Intra-Group balances and intercompany transactions, including unrealized profits or losses arising from intra-Group transactions, which are recognized under assets, are eliminated in full.

Subsidiaries are consolidated on a line-by-line basis starting from the acquisition date, i.e. the date on which the Group acquires control, and are deconsolidated on the date in which control is transferred out of the Group. Acquisitions of subsidiaries, with the exception of those deriving from combinations of entities subject to joint control, are accounted for using the purchase method. This involves the allocation of the cost of the business combination to the fair values of assets, liabilities and contingent liabilities acquired at the acquisition date and the inclusion of the result of the acquiree starting from the date of acquisition until the end of the fiscal year. Joint-ventures with other shareholders and associates are accounted for under equity method.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Minority interests represent the portion of profits or losses and net assets not held by the Group and are disclosed under a separate item in the consolidated Statement of profit or loss and in the Consolidated Statement of Financial Position under Equity items, separately from the Group's Equity.

The consolidation area as at 31 December 2017 is shown below.



During the year 2017 the following changes were recorded in the consolidation area:

- On 20 March 2017 Manutencoop Transport S.a.S. was established, which is wholly owned by Manutencoop France S.a.r.l.;
- On 29 May 2017 the total shares of Yougenio S.r.l. were transferred from e-Digital Services S.r.l. to the Parent Company MFM S.p.A.;

- 30 June 2017 saw the exercise of the call option granted to MFM S.p.A. on the total stake held by minority interests in the share capital of subsidiary Sicura S.p.A. (equal to 15%). The company is now wholly owned by MFM S.p.A. following the transfer of shares that took place on 10 August 2017;
- On 25 October 2017 MFM Capital S.r.l. was established, which is wholly owned by MFM S.p.A.;
- On 25 October 2017 Elene Project S.r.l. was established, which is wholly owned by MFM S.p.A.;
- On 24 July 2017 Manutencoop International Services LLC was established, which is based at Doha in Qatar and which is wholly owned by Manutencoop International S.r.l..

2.4 Summary of the main accounting policies

Conversion of foreign currency items

The financial statements are presented in Euro, the Group's functional currency.

Statements of financial position and income statements stated in foreign currency are converted to Euro using the year-end exchange rates for the items of the Statement of Financial Position and average exchange rates for 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 year-end exchange rates with respect to the average exchange rate. The conversion reserve is reversed to the income statement at the moment of the sale or liquidation of the company that set up said reserve.

Property, plant and equipment

Property, plant and equipment are recognized at historical cost, net of ordinary maintenance costs, less the associated accumulated depreciation and accumulated impairment losses. This cost includes the costs for the replacement of part of the plant and equipment at the moment they are incurred if they conform to the recognition criteria.

Depreciation is calculated on a straight line basis in line with the estimated useful life of the asset, starting from the date the asset becomes available for use, until the date it is sold or disposed of. The carrying amount of property, plant and equipment is subject to impairment test when events or changes suggest that the carrying amount may not be recoverable. A tangible asset is derecognized from the financial statements at the moment of sale or when no future economic benefits are expected from its use or disposal. Any profits or losses (calculated as the difference between net proceeds from the sale and the carrying amount) are recognized in the income statement in the year of the aforementioned derecognition. The residual value of the asset, useful life and method applied are reviewed annually and adjusted, if necessary, at the end of each financial year.

The useful life of the various classes of tangible assets is estimated as shown below:

	Useful Life
Plant and equipment, maintenance and landscaping	11 years
Plant and equipment, maintenance and construction of properties	From 6.5 to 10 years
Telephone systems	4 years
Properties	33 years
Equipment for cleaning/landscaping activities	6.5 years
Equipment for technological system management	3 years
Equipment for building construction and maintenance	2.5 years
Other industrial and commercial equipment	10 years
Laundry equipment	8 years
Linen	From 2.5 to 4 years
Vehicles	From 4 to 5 years
Office furniture and equipment	From 5 to 8 years
Leasehold improvements (including under plant and equipment)	< between useful life and lease term

The plant and equipment category includes not only plant and equipment in the strictest sense, but also machinery, motor vehicles, office machines and furniture.

Financial costs arising from the purchase are charged to the income statement except in the case in which they are directly attributable to the acquisition, construction or production of an asset which justifies their capitalisation (qualifying asset), in which case they are capitalised.

A qualifying asset is an asset that requires a certain period of time to be ready for use. The capitalisation of financial costs ceases when all the activities needed to make the qualifying asset ready for use have been completed.

Extraordinary maintenance expenses are only included in the carrying amount of the asset when the company is likely to receive the associated economic benefits in the future and the cost can be reliably measured. The costs of repairs, maintenance or other operations to ensure the functioning of the assets are charged to the income statement in the year in which they are incurred.

Leasehold improvements are classified, on the basis of the nature of the cost incurred, under property, plant and equipment only when they meet the capitalisation criteria set forth by IAS 16. The depreciation period corresponds to the lower of the residual useful life of the tangible asset and the residual lease term.

Goodwill

Goodwill acquired in a business combination, is initially valued at cost, represented by the excess of the cost of the business combination with respect to the share pertaining to the Group in the net fair value relating to the identifiable values of assets, liabilities and contingent liabilities. After the initial recognition, goodwill is valued at cost less any accumulated impairment losses. Goodwill is subject to an analysis of fairness on an annual basis, or more frequently if events or changes are identified which may give rise to impairment losses.

For the purposes of this analysis of fairness, goodwill is allocated, from the date of acquisition, when the allocation is possible without arbitrariness, to each of the cash-generating units of the Group which believe that they will benefit from the synergies of the acquisition, irrespective of the allocation of other assets or liabilities to said units. Each unit to which goodwill is allocated:

- represents the lowest level, within the Group, at which goodwill is monitored for internal management purposes; and
- is not larger than the segments identified on the basis of either the primary of secondary presentation layout as regards disclosures on the Group's operating segments, based on IFRS 8—Operating Segments.

Impairment is determined by defining the recoverable value of the cash-generating unit (or group of units) to which goodwill is allocated. When the recoverable value of the cash-generating unit (or group of units) is lower than the carrying amount, an impairment loss is recognized. The value of goodwill previously written down cannot be restored.

Other intangible assets

Intangible assets acquired separately are initially capitalised at cost, while those acquired through business combinations of companies not subject to joint control are capitalised at fair value on the date of acquisition. After initial recognition, intangible assets are recorded at cost net of amortisation and accumulated impairment losses.

The useful life of the intangible assets is finite or indefinite. Intangible assets with a finite useful life are amortised over their useful life and subject to fairness tests whenever there is evidence of potential impairment losses. The amortisation period and method applied thereto are reviewed at the end of each financial year or more frequently if necessary. Changes in the expected useful life or the methods with which the future economic benefits of the intangible asset are achieved by the Group are recorded by modifying the amortisation period or method, as necessary, and treated as changes in the accounting estimates. The amortisation charges of intangible assets with a finite useful life are recorded in the income statement under the cost category 'amortisation, depreciation, write-downs and write-backs of assets'.

The Group did not record any intangible assets with an indefinite useful life, with the exception of goodwill.

The principles the Group applied for intangible assets are summarised below:

	Concessions, licences, trademarks and similar rights	**Other intangible assets**
Breakdown of composition	Software and Trademarks	Contractual customer relations
Useful Life	Finite	Finite
Method used	Amortisation on a straight line basis over the shortest time span between: • legal term of the right • expected period of use.	Amortisation in proportion to consumption of related backlog.
Produced internally or purchased	Purchased	Acquired in business combination.
Impairment tests / tests on recoverable value	Yearly or more frequently when there is evidence of impairment.	Yearly or more frequently when there is evidence of impairment.

Profits or losses arising from the disposal of an intangible asset are measured as the difference between the net sales revenue and the carrying amount of the asset, and are recognised in the income statement at the moment of disposal.

Equity investments in joint venture and in associates

According to the equity method, the equity investment is recognized in the balance sheet at cost increased by changes, after the acquisition, in the Group's share of the investee's net assets. Goodwill relating to the associate is included in the carrying amount of the equity investment and not subject to amortisation. Following application of the equity method, the Group determines whether it is necessary to recognize any additional impairment losses with reference to the Group's net equity investment in the investee. The income statement reflects the Group's share of the investee's result for the year. In the event in which the investee recognises

adjustments directly in shareholders' equity, the Group recognises its share, and presents this, where applicable, in the statement of changes in shareholders' equity.

In the majority of cases, the end of the investees' financial year is the same as that of the Group. Where this does not occur, in most cases, the investees prepare accounting statements at the reporting date of the Group's financial year. The accounting standards used conform to those used by the Group.

Impairment of assets

At the reporting date of the financial statements, the Group assesses whether there is any evidence of impairment of assets. In this case, or in the event an annual impairment test is required, the Group prepares an estimate of the recoverable value. The recoverable value is the higher of the fair value of an asset or cash-generating unit, net of selling costs and its value in use and is determined for each individual asset, except when said asset does not generate cash flows that are largely independent from those generated by other assets or groups of assets. If the carrying amount of an asset is higher than its recoverable value, said asset has been impaired and is subsequently written down to its recoverable value. In calculating the value in use, the Group discounts estimated future cash flows at the present value by using a pre-tax discount rate which reflects the market valuations on the time value of money and the specific risks of the asset. Impairment losses of operating assets are recognized in the income statement under 'amortisation, depreciation, write-downs and write-backs of assets'.

At each reporting date, the Group also assesses whether there is any evidence that the impairment losses recorded previously no longer exist (or have fallen) and, if said evidence exists, estimates the recoverable value. The value of an asset previously written down can only be restored if there have been changes to the estimates used to calculate the recoverable value of the asset following the latest recognition of an impairment loss. In said case, the carrying amount of the asset is adjusted at the recoverable value, without, however, the increased value exceeding the carrying amount that would have been determined, net of amortisation, if no impairment loss had been recognised in the preceding years. Any write-back is recognized as income in the income statement, in the same category in which the write-down was recorded, except where the asset is recognised in a revalued amount, in which case the write-back is treated as a revaluation. After a write-back has been recognised, the amortisation charge of the asset is adjusted in future periods, in order to break down the modified carrying amount, net of any residual values, on a straight line basis over the residual useful life.

Financial assets

IAS 39 makes provision for the following types of financial instruments:

- financial assets at fair value with changes through profit or loss, a category which includes the financial assets held for trading, i.e. all assets acquired for short-term sale;
- loans and receivables, defined as non-derivative financial assets with fixed or determinable payments that are not listed on an active market;
- investments held to maturity, i.e. financial assets that are not derivative instruments and that are characterised by fixed or determinable payments on maturity for which the owner has the intention and capacity to hold them in the portfolio until maturity;
- available-for-sale financial assets, i.e. financial assets, excluding derivative financial instruments, which have been designated as such or are not classified in one of the other three previous categories.

All financial assets are initially recognized at fair value, increased, in the event of assets other than those at fair value through profit or loss, by additional charges. Following the initial recognition, the Group determines the classification of its financial assets and, where appropriate and permitted, reviews said classification at the closing date of each financial year.

The financial assets held by the Group in the year just ended, equal to those held in the previous year, are exclusively attributable to the two categories of 'loans and receivables' and 'available-for-sale financial assets'.

The accounting policies applied by the Group are the following:

Loans and receivables

Loans and receivables are recognized according to the amortised cost criterion using the effective discount rate method. Profits or losses are recognized through profit or loss when the loans and receivables are derecognized from the accounts or when impairment losses occur, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets, following initial recognition at cost, must be measured at fair value and profits or losses must be recognized in a separate equity item until the assets are derecognised from the accounts or until it has been verified that they have been impaired; profits or losses accumulated up until that moment in shareholders' equity are then charged to the income statement.

For the year ended, however, as in the previous year, the Group only classifies investments of lower than 20% in this category, which are valued at cost if the calculation of the fair value is not reliable. In particular, consortium companies and consortia, which are not listed on regulated markets and whose objective is to regulate relations as part of temporary business combines established for the operational purposes of management of some service contracts, are valued at cost, represented by the portion of subscribed share capital.

Inventories

Inventories are valued at the lower of cost and net presumed realisable value.

The costs incurred to deliver each asset to its current location and for warehousing are recognized as follows:

Raw materials (excluding fuel)	Purchase cost based on the weighted average cost method
Fuel inventories	Purchase cost based on the FIFO method

The net presumed realisable value of raw materials is represented by the replacement cost.

Trade receivables and other receivables

Trade receivables, which generally have contractual maturities of between 30-90 days, are recognized at nominal value, stated in the invoice net of the provisions for bad debts. This allocation is made in the presence of objective evidence that the Group will not be able to collect the receivable. Uncollectible receivables are written down when they are identified. Receivables and payables in a foreign currency other than the functional currency of the individual entities are adjusted at the year-end exchange rates.

Contracts for construction work and plant building

A job order is a contract specifically stipulated for the construction of an asset on the instructions of a customer, who defines its design and technical features on a preliminary basis.

Job order revenues include the considerations initially agreed with the customer, in addition to the changes to the job order and price variations set out in the contract which can be determined reliably.

When the result of the job order can be determined reliably, the job orders are valued on the basis of the percentage of completion method. The progress status is determined by making reference to the costs of the job order incurred up to the balance sheet date as a percentage of total estimated costs for each job order. The percentage of completion determined in this manner is then applied to the contract price in order to determine the value of work in progress,

classified under "Trade receivables". When the costs of the job order are likely to exceed total revenues, the expected loss is recognized immediately as a provision. Should the amount of the contract price already invoiced exceed the estimated value of work in progress, it must be recognised as a payable for the portion exceeding the value of the same and, as such, must be classified under "Advances from customers".

Cash and cash equivalents

Cash and cash equivalents and short-term deposits in the balance sheet include cash at hand and sight and short-term deposits, in the latter case with an original maturity of no more than three months.

Loans

All loans are initially recognized at the fair value of the consideration received net of additional charges involved in raising the loan. After initial recognition, loans are valued according to the amortised cost criterion using the effective interest rate method. All profits or losses are recognised in the income statement when the liability is extinguished, as well as through the amortisation process.

Derecognition of financial assets and liabilities

A financial asset (or, where applicable, part of a financial asset or parts of a group of similar financial assets) is derecognised from the accounts when:

- the contractual rights over cash flows arising from financial assets have expired;
- the Group has transferred the financial asset (transferring the right to receive cash flows from the asset or retaining the right to receive these but assuming the contractual obligation to pay them in full and without delay to a third party) and has transferred substantially all risks and rewards of ownership of the financial asset.

If, as a result of the transfer, a financial asset is derecognised in full, but the result is that the Group obtains a new financial asset or assumes a new financial liability, the Group recognizes the new financial asset, financial liability or liability originating from service at fair value.

A financial liability is derecognised from the accounts when the obligation underlying the liability is discharged, cancelled or fulfilled. In cases where an existing financial liability is replaced by another of the same provider, under essentially different conditions, or the conditions of an existing liability are essentially modified, said exchange or modification is treated as derecognition of the original liability and the recognition of a new liability, and any differences in the carrying amounts are booked to the income statement.

Impairment of financial assets

At the reporting date, the Group assesses whether a financial asset or group of financial assets has incurred any impairment loss.

Assets valued according to the amortised cost criterion

If there is an objective evidence that a loan or receivable carried at amortised cost has suffered an impairment loss, the amount of the loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding future credit losses still not incurred) discounted at the original effective interest rate of the financial asset (i.e. effective interest rate calculated at the initial recognition date). The carrying amount of the asset will be reduced both directly and through the use of a provision. The amount of the loss will be recognized through profit or loss.

The Group firstly assesses whether there is any objective evidence of an impairment loss at individual level, for financial assets that are significant on an individual basis, and therefore at individual or collective level for financial assets that are not significant on an individual basis. In the absence of any objective evidence of impairment of a financial asset that is valued individually, whether it is significant or not, said asset is included in a group of financial assets

with similar credit risk characteristics and said group is subject to impairment test in a collective fashion. The assets valued at individual level and for which an impairment loss is recognized or continues to be recognized, will not be included in a collective valuation.

If, in a subsequent financial year, the size of the impairment loss falls and said reduction can be related objectively to an event which occurred after the recognition of the impairment loss, the previously reduced value can be written back. Any subsequent write-backs are recognized through profit or loss to the extent the carrying amount does not exceed the amortised cost at the write-back date.

Assets recognised at cost

If there is objective evidence of an impairment of an unlisted equity instrument which is not recognised at fair value since its fair value cannot be measured reliably, or of a derivative instrument which is linked to said equity instrument and has to be settled through the delivery of said instrument, the amount of the impairment loss is measured by the difference between the carrying amount of the asset and the present value of expected future cash flows and discounted at the current market rate of return for a similar financial asset.

Available-for-sale financial assets

In the case of an impairment of an available-for-sale financial asset, a transfer from shareholders' equity to the income statement is effected of a value equal to the difference between its cost (net of the repayment of capital and amortisation) and its present fair value, net of any impairment losses recognised previously in the income statement. Write-backs of equity instruments classified as available for sale are not recognised through profit or loss. Write-backs of debt instruments are recognised through profit or loss if the increase in the fair value of the instrument can be related objectively to an event which occurred after the loss was recognised in the income statement.

Provisions for risks and charges

Accruals to provisions for risks and charges are made when the Group has to fulfil a current obligation (legal or implicit) resulting from a past event, resources are likely to be sacrificed to meet said obligation and its amount can be estimated reliably.

When the Group believes that an accrual to the provision for risks and charges will be partially or fully reimbursed, e.g. in the event of risks covered by insurance policies, the compensation is recognized separately under assets if and only if it is virtually certain. In said case, a cost is stated through profit or loss which is the cost of the associated related accrual, net of the amount recognised for the compensation.

If the effect of discounting the value of money is significant, accruals are discounted using a pre-tax discount rate which reflects, where appropriate, the specific risks of the liabilities. When discounting is carried out, the increase in the provision due to the passing of time is recognized as a financial cost.

Provision for employee termination benefits

Liabilities in the form of employee termination benefits are only recognized when the Group is demonstrably committed to: (a) terminate the employment of an employee or group of employees before the normal retirement date; or (b) provide termination benefits as a result of an offer made in order to encourage voluntary resignation for redundancy purposes. The Group is demonstrably committed to terminate employment only when it has a detailed formal plan for the dismissal (termination of employment) and is without realistic possibility of withdrawal from the plan.

Employee benefits

Italian legislation (art. 2120 of the Civil Code) requires that, on the date of termination of their employment with the company, each employee receives compensation known as ESI (Employee Severance Indemnity). Calculation of this indemnity is based on certain items that form the annual employee remuneration for each year of employment (re-valued as necessary) and on the

length of service. According to statutory Italian legislation, said indemnity is reported in the financial statements according to a calculation method based on the indemnity accrued by each employee at the balance sheet date, in the assumption that all employees terminate their employment at said date.

The IFRIC issued by the IASB tackled the issue of Italian ESI and concluded that, in application of IAS 19, it falls within the scope of "defined benefit" plans, as regards post-employment benefits and, as such, must be calculated using the Projected Unit Credit Method (PUCM), in which the amount of liabilities in the form of acquired benefits must reflect the expected date of termination and must be discounted.

Following the 2007 reform of national legislation which governs, for Companies with more than 50 employees, ESI accruing from 1 January 2007, it is established as a "defined contribution" plan, whose payments are accounted for directly in the income statement, as a cost, when recognised. ESI accrued up until 31.12.2006 remains a defined benefit plan, without future contributions.

The Group accounts for actuarial gains or losses arising from the application of the aforementioned method (PUCM) in an appropriate equity reserve according to the provisions of IAS 19 pars. 120 and 128.

The actuarial valuation of the liability was entrusted to an independent actuary.

The Group has no other significant defined benefit pension plans.

Leasing

The definition of a contractual agreement as a leasing transaction (or containing a leasing transaction) is based on the substance of the agreement and requires an assessment of whether fulfilment of the contractual obligations depends on the use of one or more specific assets and whether the agreement transfers the right to use said asset.

A review is carried out after the start of the contract only if one of the following conditions is met:

(a) there is a change in the contractual conditions, other than a contract renewal or extension;

(b) a renewal option is exercised or an extension granted, provided that the terms of the renewal or extension were not initially included in the terms of the leasing transaction;

(c) there is a change in conditions according to which fulfilment of the contract depends on a specific asset; or

(d) there is a substantial change in the asset.

Where a review is carried out, accounting of the leasing will start or end from the date on which the circumstances change which gave rise to the revision for cases a), c) or d) and on the renewal or extension date for scenario b).

For contracts signed prior to 1 January 2005, the start date is considered 1 January 2005, in line with the transitional provisions of IFRIC 4.

Finance lease contracts, which substantially transfer all risks and rewards of ownership of the leased asset to the Group, are capitalised at the date of the start of the lease at the fair value of the leased asset or, if lower, at the present value of rental fees. Rental fees are split between the portions of principal and interest so as to obtain the application of a constant interest rate on the residual debt balance. Financial costs are charged directly to the income statement.

Capitalised leased assets are amortised over the estimated useful life of the asset and the lease term, whichever is the shorter, if there is no reasonable certainty that the Group will obtain ownership of the asset at the end of the contract.

Operating lease fees are recognized as costs in the income statement on a straight line basis over the contract term.

Revenue recognition

Revenues are recognized to the extent in which it is likely that economic benefits can be achieved by the Group and the associated amount can be determined reliably. The following specific revenue recognition criteria must be complied with before revenues are charged to the income statement:

Provision of services

The main types of service provided by the Group, separately or jointly as part of Integrated Services, are:

- operation and maintenance of properties and plants, often associated with the provision of heat (energy service);
- cleaning and environmental hygiene services;
- landscaping;
- project management services;
- linen rental and industrial laundering and sterilization services.

Revenues are recognised on the basis of the progress of the services underway at the balance sheet date, measured as a percentage with reference to the different variables depending on the services provided and the contracts stipulated with the customer (square metres, hours, costs incurred, hospital days).

The provisions of services, which are still not completed at the reporting date, constitute contract work in progress and are classified under trade receivables.

Revenues billed at the balance sheet date, which exceed the amount accrued on the basis of the progress status of the service, are suspended under advances from customers, and classified under trade payables. The considerations, also as part of multi-service contracts, are, as a rule, defined separately by service type and the amount of revenues to be attributed to the individual services is quantified at fair value.

When the outcome of a services transaction cannot be measured reliably, revenues are only recognised to the extent it is believed that the costs incurred can be recovered.

Building activity

The Group recognizes the revenues arising from building contracts on the basis of the percentage of completion of the job order, measured as a percentage of the costs incurred with respect to the total estimated costs for completing the work. When the outcome of a job order cannot be measured reliably, revenues are only recognised to the extent it is believed that the costs incurred can be recovered.

Sale of assets

The revenue is recognised when the company has transferred all significant risks and rewards related to ownership of the asset to the purchaser.

Interest

Interest is recognized as financial income following the verification of interest income accrued (carried out using the effective interest rate method which is the rate that accurately discounts expected future cash flows based on the expected life of the financial instrument at the net carrying amount of the financial asset).

Dividends

Revenues are recognised when the right of shareholders to receive the payment arises.

Government grants

Government grants are recognized when it is reasonably certain they will be received and all inherent conditions are met. When grants are related to cost components, they are recognized as

revenues, but are systematically split over the financial years so they are commensurate with the costs they intend to compensate. In the event the grant is related to an asset, the fair value is deducted from the carrying amount of the asset to which it is related and the release to the income statement occurs progressively over the expected useful life of the asset on a straight line basis, through the systematic reduction of the associated amortisation charges.

Income taxes

Current taxes

Current tax assets and liabilities for the year are valued by applying estimate criteria to determine the amount accrued in the period which is expected to be recovered or paid to the tax authorities. The rates and tax legislation used to calculate the amount are those issued at the balance sheet date.

Deferred taxes

Deferred taxes are calculated on the temporary differences arising at the balance sheet date between the tax values taken as a reference for assets and liabilities and the values stated in the financial statements.

Deferred tax liabilities are recognized against all temporary taxable differences, except:

- when deferred tax liabilities arise from the initial recognition of goodwill or of an asset or liability in a transaction which is not a business combination and which, at the time of the transaction, does not have any effect on the profit for the year calculated for financial statement purposes or the profit or loss calculated for tax purposes;
- with reference to taxable temporary differences associated with equity investments in subsidiaries, associates and joint ventures, in the event in which the reversal of the temporary differences can be controlled and is not likely to occur in the foreseeable future.

Deferred tax assets are recognised against all deductible temporary differences and for tax assets and liabilities carried forward, to the extent it is possible that there will be adequate future tax profits that make the use of temporary deductible differences and tax assets and liabilities carried forward applicable, except in the case in which:

- deferred tax assets connected to deductible temporary differences arise from the initial recognition of an asset or liability in a transaction which is not a business combination and which, at the time of the transaction, does not have any effect on the profit for the year calculated for financial statement purposes or the profit or loss calculated for tax purposes;
- with reference to taxable temporary differences associated with equity investments in subsidiaries, associates and joint ventures, deferred tax assets are recognized only to the extent in which it is likely that the deductible temporary differences will be reversed in the immediate future and that sufficient tax profits will be generated against which the temporary differences can be used.

The value of deferred tax assets to be recognized in the financial statements is reviewed at each reporting date of the financial statements and reduced to the extent it is no longer likely that sufficient tax profits will be available in the future to permit all or part of said receivable to be used. Unrecognised deferred tax assets are reviewed annually at the reporting date of the financial statements and are recognized to the extent it has become likely that the tax profit is sufficient to allow said deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured on the basis of the tax rates that are expected to be applied in the year in which said assets are sold or said liabilities are extinguished, considering the rates in force and those already issued or substantially issued at the balance sheet date.

Income taxes relating to items recorded directly in equity are charged directly to equity and not to the income statement.

Deferred tax assets and liabilities are offset, if there is a legal right to offset the current tax assets with current tax liabilities and the deferred taxes refer to the same tax entity and the same tax authorities.

VAT

Revenues, costs and assets are recognized net of VAT, with the exception of the case in which said tax applied to the purchase of goods or services is non-deductible, in which case it is recognised as part of the purchase cost of the asset or part of the cost item recognized through profit or loss. Trade receivables and payables for which an invoice has already been issued or received are carried inclusive of tax.

The net amount of indirect taxes on sales and purchases that can be recovered from or paid to the tax authorities is included in the financial statements under other receivables or payables depending on whether the balance is receivable or payable.

Service concession arrangements

The Group is the holder of concession agreements in which certain companies manage activities in the public interest, provided that the grantor (i) controls/regulates, by determining the price, which public services must be offered by the concessionary companies through the infrastructures that the concessionary company obtains under management or constructs and (ii) maintains, through ownership or by other means, the authorisation granted and any other interest in the infrastructures upon expiry of the concession agreement.

The concessionary company shall not carry infrastructure under tangible assets as it does not hold "control", as set forth in IFRIC 12. The asset to be recognised is the right to use the infrastructure for providing the service, to be classified as a financial asset in the presence of an unconditional right to receive future compensation regardless of actual use of the infrastructure and as an intangible asset in the presence of a right to exploit the infrastructure itself in financial terms, charging users based on use of the service received. Provision is also made for a "mixed" accounting model if the concessionary company is the holder of both a financial asset and an intangible right, where it is necessary to separate the component of remuneration as provided for under the agreement relating to the financial asset, determining the amount of the intangible asset as a secondary activity (with respect to the value of the construction services provided.

The concessionary company also recognises revenues for the services it provides, in compliance with IAS 11 and IAS 18 and, therefore, the consideration envisaged in the agreement must be allocated with reference to the fair value of the associated services provided (construction, improvements and management respectively). Pursuant to IAS 23, financial costs attributable to the agreement must be recognised as costs in the year in which they are incurred, unless the concession holder has recognised an intangible asset, for which said costs are capitalised during the phase of drafting of the agreement. Otherwise, if the concession holder has recognized a financial asset, IAS 39 requires financial income calculated on the basis of the effective interest method to be recognised in the income statement.

Earnings per share

Basic earnings per share are calculated by dividing the net profit for the year attributable to the Parent Company's ordinary shareholders by the weighted average number of outstanding ordinary shares during the year.

Diluted earnings per share are calculated by dividing the net profit attributable to the Parent Company's ordinary shareholders by the weighted average number of outstanding ordinary shares during the year.

The Parent Company presents voluntary disclosures on earnings per share, with reference solely to consolidated data.

Operating segments

An operating segment is made up of a clearly identifiable group of assets and operations which provides a collection of related products and services, subject to risks and rewards other than those of other Group business sectors. For operational purposes, the Group is structured into business areas that coincide with the "strategic business units" in which the Group operates.

No operating segments were combined for the purpose of determining the operating segments subject to disclosure obligations.

The Group's Management look at the results achieved by the individual Strategic Business Units separately, for the purpose of making decisions regarding the allocation of resources and performance monitoring. The segment performance is assessed on the basis of the EBIT. The Group's financial management (including loan costs and revenues) and income taxes are managed at Group level and are not allocated to operating segments.

Methods of calculation of the costs allocated to the segments

The Group includes direct and indirect production costs relating to the business sector in the costs attributed to the segments. Starting from the consolidated financial statements for the year ended 31 December 2007, it was deemed appropriate to also allocate to the segments commercial costs and other general overheads on the basis of the appropriate conventional allocation drivers. By contrast, any income and costs generated by financial management and current and deferred taxes remain unallocated to the segments, while income from equity investments valued at equity is attributed to the segments.

Methods of calculation of the assets and liabilities allocated to the segments

The assets and liabilities have been attributed to the various segments in accordance with the method used for income statement items.

Changes in accounting estimates and errors

Some elements in the financial statements cannot be measured accurately and are therefore the objects of estimates which depend on future uncertain circumstances governing the conduct of the entity's business. Over time these estimates will be revised to take account of the data and information that subsequently become available. The effect of a change in accounting estimates in the financial year in which it has occurred must be recognised prospectively and included in the income statement of that period and in future periods if the change also affects these. Prospective recognition of the effects of the changed estimate means that the change is applied to transactions that take place from the time that the estimate is changed. Accounting estimates are reviewed or changed if new information comes to hand or if there are new developments in operations and. for these reasons, these do not constitute corrections of errors.

Prior period errors are omissions from, and misstatements in, an entity's financial statements for one or more prior periods arising from a failure to use, or a misuse of, reliable information that was available when the financial statements for those periods were authorized for issue, and could reasonably have been expected to have been obtained and used in the preparation and presentation of these financial statements. Such errors include the effects of mathematical mistakes, mistakes in applying accounting standards, oversights or misinterpretation of facts and fraud. Financial statements do not comply with IFRSs if they contain either material errors or immaterial errors made intentionally to achieve a particular presentation of an entity's statement of financial position, financial performance or cash flows. Potential current period errors discovered in that period must be corrected before the financial statements are authorised for issue. Errors discovered in subsequent periods must be corrected in the comparative information presented in the financial statements for that subsequent period if they are material errors and the correction is deemed feasible, restating the opening balances of assets, liabilities and equity for that period.

Restatement is not applied and errors are recognised prospectively if the errors and omissions are considered immaterial. Omissions or misstatements of items are material if they could,

individually or collectively, influence the economic decisions that the users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances.

3. Property, plant and equipment

The table below shows the changes in property, plant and equipment owned in the year ended 31 December 2017. The lower part of the table reports historical costs and accumulated depreciation at the beginning and at the end of the year.

	Property	Plant and equipment	Property under lease	Plant and equipment under lease	Total
At 1 January 2017, net of accumulated depreciation and impairment	**13,704**	**50,779**	**26**	**1,601**	**66,110**
Additions from acquisitions	71	20,488	4,489		**25,048**
Disposals		(498)			**(498)**
Depreciation for the year	(346)	(18,667)	(81)	(223)	**(19,317)**
Others		33	(26)	(7)	**0**
At 31 December 2017	**13,429**	**52,135**	**4,408**	**1,371**	**71,343**
At 1 January 2017					
Historical cost	16,005	334,865	236	4,950	**356,056**
Accumulated depreciation and impairment losses	(2,301)	(284,086)	(210)	(3,349)	**(289,945)**
NET BOOK VALUE	**13,704**	**50,779**	**26**	**1,601**	**66,110**
At 31 December 2017					
Historical costs	16,076	354,888	4,699	4,943	**380,606**
Accumulated depreciation and impairment losses	(2,648)	(302,752)	(291)	(3,572)	**(309,263)**
NET BOOK VALUE	**13,428**	**52,136**	**4,408**	**1,371**	**71,343**

The additions from acquisitions recognised for the year mainly refer to the purchases of linen made by the Laundering & Sterilization segment for € 12,827 thousand and to the purchases of other machinery and specific equipment for € 7,661 thousand relating to the various sectors in which the Group operates. Moreover, on 3 March 2017 the subsidiary Servizi Ospedalieri S.p.A. signed a financial lease agreement with Unicredit Leasing S.p.A. for the purchase of the factory of Lucca, already used through a lease contract with Manutencoop Immobiliare S.p.A. (company of the Manutencoop Società Cooperativa Group that owned it previously). The financed amount was equal to € 4,467 thousand plus additional charges of € 17 thousand. The finance lease had a duration of 12 years with an initial down payment of € 1,117 thousand and constant monthly instalments.

Furthermore plant and equipment were disposed of for a total additional amount of € 498 thousand.

The table below shows the changes in property, plant and equipment owned in the year ended 31 December 2016. The lower part of the table reports historical costs and accumulated depreciation at the beginning and at the end of the year.

	Property	Plant and equipment	Property under lease	Plant and equipment under lease	Total
At 1 January 2016, net of accumulated depreciation and impairment	**4,800**	**57,355**	**178**	**2,039**	**64,372**
Additions from acquisitions	7,674	16,003			**23,677**
Impairment losses		(614)			**(614)**
Disposals	(135)	(700)			**(835)**
Depreciation for the year	(153)	(19,890)	(13)	(435)	**(20,491)**
Others	1.518	(1,375)	(139)	(3)	**0**
At 31 December 2016	**13,704**	**50,779**	**26**	**1,601**	**66,110**
At 1 January 2016					
Historical cost	6,949	321,551	375	4,953	**333,827**
Accumulated depreciation and impairment losses	(2,148)	(264,196)	(197)	(2,914)	**(269,455)**
NET BOOK VALUE	**4,801**	**57,355**	**178**	**2,039**	**64,372**
At 31 December 2016					
Historical cost	16,005	334,864	236	4,950	**356,055**
Accumulated depreciation and impairment losses	(2,301)	(284,086)	(210)	(3,349)	**(289,945)**
NET BOOK VALUE	**13,704**	**50,779**	**26**	**1,601**	**66,110**

4. Other intangible assets

The table below shows the changes in intangible assets in the year ended 31 December 2017. The lower part of the table reports historical costs and accumulated amortisation at the beginning and at the end of the year.

	Other intangible assets	Goodwill	Total
At 1 January 2017, net of accumulated amortization and impairment	**26,114**	**370,456**	**396,570**
Additions from acquisitions	6,501		**6,501**
Amortization	(7,446)		**(7,446)**
Others		(93)	**(93)**
At 31 December 2017	**25,169**	**370,363**	**395,532**
At 1 January 2017			
Cost	102,934	372,849	**475,783**
Accumulated amortization and impairment losses	(76,820)	(2,393)	**(79,213)**
NET BOOK VALUE	**26,114**	**370,456**	**396,570**
At 31 December 2017			
Cost	109,436	372,756	**482,192**
Accumulated amortization and impairment losses	(84,267)	(2,393)	**(86,660)**
NET BOOK VALUE	**25,169**	**370,363**	**395,532**

Goodwill is tested annually for impairment; see note 5 for details.

Other changes include other adjustments relating to the agreement reached to settle disputes that arose in relation to acquisitions of business units made in previous years.

Other intangible assets, amounting to € 25,169 thousand at 31 December 2017, mainly consist of investments in software carried out as part of the projects aimed at upgrading and enhancing the corporate information systems. The additions from acquisitions for the year (€ 6,501 thousand) were mainly attributable to the Facility Management SBU (€ 6,312 thousand) and specifically to the investments relating to subsidiary Yougenio S.r.l. (€ 1,501 thousand) for the implementation and upgrading of the e-commerce portal intended for the B2C market, as well as to the investments made by Parent Company Manutencoop Facility Management S.p.A. (€ 4,465 thousand).

During the year Yougenio S.r.l. recognised proceeds, as a direct reduction in the historical cost of some acquisitions (totalling € 1,144 thousand), for tax credits on R&D projects equal to 50% of their value. These research projects meet the requirements laid down in Law no. 190 of 23 December 2014 (Article 1, paragraph 35), as partly amended by Law no. 232 of 11 December 2016 (Article 1, paragraphs 15 and 16), as well as in the Implementing Provisions under a Decree issued by the Ministry of Economy and Finance in agreement with the Ministry of Economic Development on 27 May 2015 and fall within the scope of the parameters set out in the Communication from the Commission (2014/C 198/01) of 27 June 2014, which was published in the Official Journal C/198 of 27 June 2014. See note 9 for details.

The table below shows the changes in intangible assets in the year ended 31 December 2016:

	Other intangible assets	Goodwill	Total
At 1 January 2016, net of accumulated amortization and impairment	**26,005**	**370,456**	**396,461**
Additions from acquisitions	6,858		6,858
Disposals	(1)		(1)
Amortization	(6,748)		(6,748)
At 31 December 2016	**26,114**	**370,456**	**396,570**
At 1 January 2016			
Cost	96,076	372,849	468,925
Accumulated amortization and impairment losses	(70,071)	(2,393)	(72,464)
NET BOOK VALUE	**26,005**	**370,456**	**396,461**
At 31 December 2016			
Cost	102,934	372,849	475,783
Accumulated amortization and impairment losses	(76,820)	(2,393)	(79,213)
NET BOOK VALUE	**26,114**	**370,456**	**396,570**

5. Impairment test of goodwill

The corporate restructuring process that involved the Group in the course of the previous financial years led to a redefinition of the CGUs, coinciding with the SBUs, regardless of legal entities. The Group's Management believe that the SBU structure 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:

- Manutencoop Facility Management S.p.A.
- H2H Facility Solutions S.p.A.
- the Group controlled by Sicura S.p.A., operating in the facility management segment as supplier of specialist services

- Telepost S.p.A., a specialist company for internal mailing services for the Telecom Italia Group
- e-Digital Services S.r.l., which is active in the sector of high technology services to businesses
- Yougenio S.r.l., which is active in the facility management for the B2C market
- Manutencoop International F.M. S.r.l. and its foreign subsidiaries, dedicated to commercial development in international markets
- other minor investee companies operating in the same segment.

SBU—Laundering & Sterilization
The SBU is identified with:

- Servizi Ospedalieri S.p.A., operating in the linen rental and industrial laundering segment for hospitals and the sterilization of linen and surgical instruments
- other minor investee companies active in the same segment.

The table below sets forth the carrying amounts of the goodwill recognized in the Consolidated Financial Statements at 31 December 2017 and at 31 December 2016, relating to the different CGUs:

	31 December 2017	31 December 2016
Goodwill allocated to Facility Management CGU	358,600	358,693
Goodwill allocated to Laundering & Sterilization CGU	11,763	11,763
Consolidated Goodwill	**370,363**	**370,456**

Facility management CGU goodwill

The goodwill allocated to the Facility management CGU, which amounted to € 358,600 thousand at 31 December 2017, was recognized as a result of various business combinations from 2004 to date, the most important of which are listed below:

- Operation 'Palladio', which took place on 29 December 2003, involved the Group acquiring control of the business unit relating to facility management technical services previously managed by the parent company Manutencoop Società Cooperativa;
- Acquisition of MCB S.p.A., a company through which the Group established the first facility management unit for "network" customers (banks, insurance companies, etc.). In 2010, MCB S.p.A. was merged by incorporation into MP Facility S.p.A. (now H2H Facility Solutions S.p.A.);
- Acquisition of Teckal S.p.A., which was merged by incorporation into Manutencoop Facility Management S.p.A. in 2010, through which the Group strengthened the production structure of traditional facility management, in particular in the heat management service;
- Acquisition of Altair IFM S.p.A. (the most significant transaction to date), which enabled the Group to gear the customer portfolio towards large private customers. In 2010 the larger companies in the Altair sub-group were merged by incorporation into Manutencoop Facility Management S.p.A.;
- Acquisition of Gruppo Sicura S.r.l. (now Sicura S.p.A.), which paved the way for an expansion in the range of specialist facility management services in the fire prevention and accident prevention market;
- Acquisition of a fire fighting services business unit including its assets, equipment, trademarks and distinctive marks in addition to all the existing contractual relationships, from Triveneta Servizi S.r.l.. The transfer of the business unit came into effect on 1 August 2015. During 2017 a negative change on goodwill was recorded for € 93 thousand, as a result of the agreement reached to settle some disputes that had arisen in relation to this acquisition.

Laundering & Sterilization CGU goodwill

The goodwill allocated to the Laundering & Sterilization CGU emerged as a result of the following acquisition:

- Acquisition during the 2003 financial period of a business unit dealing with the linen rental and industrial laundering and sterilization activities for public and private healthcare of LIS S.p.A., with contracts mainly located in the Marche Region.
- Acquisition during the 2006 financial period of a business unit dealing with the linen rental and industrial laundering and sterilization activities for public healthcare of Lidi Service S.p.A., the activity of which was carried out in Porto Garibaldi (province of Ferrara) plant.
- Acquisition of Omasa S.p.A. in 2007, a company operating in the market for the sterilization of surgical instruments and linen, as well as following further minor acquisitions, all made by Servizi Ospedalieri S.p.A., a company operating in the linen rental and industrial laundering and sterilisation market. Omasa S.p.A. was then merged by incorporation into Servizi Ospedalieri S.p.A. on 1 July 2009.

Impairment Test

Pursuant to IAS 36, goodwill is not amortised, but is tested for any possible impairment on an annual basis, or more frequently, should specific events or circumstances arise which provide evidence of an impairment loss. The impairment test, prepared by the Management and presented to the Board of Directors at the time of the approval of the draft financial statements, was carried out through the comparison between the net book value and the recoverable value of the individual CGUs/SBUs to which goodwill was allocated, determined on the basis of the discounting-back of expected future cash flows relating to the period from 2018 to 2022 and extrapolated from the Business Plan of the Manutencoop Group.

The Business Plan used for the analysis described in this note was approved by the Board of Directors of Manutencoop Facility Management S.p.A. on 23 January 2018.

The estimated value in use of the Facility management SBU and of the Laundering & Sterilization SBU was based on the following assumptions:

- The expected future cash flows, for the period from 2018 to 2022, extrapolated from the Business Plan, are derived from projected cash flows obtained through:
    - determination of the value of the forecast gross margins according to the projection of the backlog of existing service contracts, augmented by the assumption of new portfolio acquisitions;
    - estimates of changes in Net Working Capital on the basis of the target days of stock rotation, the payment of amounts due and collection of receivables.
- A terminal value used to estimate future results beyond the time horizon expressly considered. The terminal value was determined by applying a NOPLAT equal to 2022 adjusted by the average expected depreciation and amortisation and investments, net of a nominal tax rate. As regards long-term growth rates, an assumption of 1% was considered both for the Facility management SBU and for the Laundering & Sterilization SBU.
- The expected future cash flows were discounted back at a discount rate (WACC) of 8.04% for the Facility management SBU (2016: 7.20%) and at a discount rate (WACC) of 7.05% (2016: 6.61%) for the Laundering & Sterilization SBU. The WACC was determined by using the Capital Asset Pricing Model ("CAPM"), by which the risk-free rate was calculated with reference to the curve of the rates of return of Italian long-term government bonds, while the non-diversifiable systematic risk ratio (ßeta) and the debt/equity ratio were extrapolated from the analysis of a group of comparable companies operating in the European facility management and laundering sector. In addition, in order to reflect the uncertainty of the current economy and the future market conditions, the cost of the equity component of the

WACC rate was increased with a risk premium of 200 basis points for the Facility management SBU and 100 basis points for Laundering & Sterilization SBU in each period of time.

For all CGUs/SBUs analysed, the analysis confirmed that the recoverable value of the same exceeds the associated carrying amount, therefore not requiring any write-downs. On a prudential basis, a "Worst Case" was outlined with reference to the WACC and to the growth rates applied. However, in simulating nil or negative growth rates, also in combination with WACCs exceeding those applied by two percentage points (and, then, equal to 10.04% for Facility management and to 9.05% or Laundering & Sterilization, respectively), there would be no need to make write-downs in both CGUs/SBUs, as the recoverable value would exceed the related book value.

6. Investments in companies valued under the equity method

The Group holds some investments which are accounted under the equity method in the Consolidated Financial Statements. These companies include associates, joint-ventures and subsidiaries in liquidation, as listed in Annex I.

At 31 December 2017 the net-book value of investments valued at Equity reported a net amount of € 27,214 thousand, against a net amount of € 30,462 thousand in the previous year.

	Net Assets 31 December 2017	Net Assets 31 December 2016
Investments valued at Equity	27,294	30,534
Provision for risks on investments	(80)	(72)
INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD	**27,214**	**30,462**

The breakdown of changes during the year is shown in Annex II attached to the Consolidated Financial Statements, to which reference should be made.

During 2017 investments accounted for under the equity method recorded a net cost of € 1,945 thousand, for the share attributable to the Group, as a result of the recognition of income from equity investments of € 1,704 thousand and costs from equity investments of € 3,648 thousand. Furthermore, negative effects were recognized directly in the consolidated equity to an overall amount of € 210 thousand.

Below are the main financial statements data relating to the major associates, as well as to the project financing companies owned by the Group. The data relate to the information contained in the most recent approved separate financial statements.

	Ownership %	Total Assets	Total Liabilities	Shareholders' equity	Net financial position	Revenues	Profit (loss) for the year
Palazzo della Fonte S.c.p.a.	33.3%	83,793	(47,023)	(36,770)	(43,251)	15,185	1
Roma Multiservizi S.p.A.	45.47%	56,700	(39,080)	(17,620)	(4,837)	90,211	2,840
Project financing companies	<50%	256,405	(230,361)	(26,044)	(106,006)	71,310	(69,124)

Project financing companies (Newcoduc S.p.A., Progetto ISOM S.p.A., Se.sa.mo. S.p.A., Synchron Nuovo San Gerardo S.p.A.) are vehicles participated in by the Group in order to do work in the field of long-term project financing concessions.

7. Other items of non-current assets

The table below sets forth the breakdown of other non-current assets at 31 December 2017 and at 31 December 2016:

	31 December 2017	31 December 2016
Other investments	4,757	3,850
Non-current financial assets	11,369	11,769
Other non-current assets	2,998	2,323
OTHER NON-CURRENT ASSETS	**19,124**	**17,942**

The financial assets accounted for as *Other investments* relate to investments in companies in which the Group has no significant or controlling interests and that have been acquired for strategic/production purposes. There are also investments in National Cooperative Consortia, as well as investments in production sites, or in other minor activities such as industrial laundering services, performed by minor companies that may also act as sub-contractors.

Other investments are measured at purchase or establishment cost, since there is no active market in the securities concerned, which for the most part cannot be freely transferred to third parties due to limitations and restrictions preventing their free circulation.

Non-current financial assets, amounting to d € 11,369 thousand at 31 December 2017 (€ 11,769 thousand at 31 December 2016), are composed of:

- € 7,319 thousand of non-current financial receivables due from associates, affiliates and joint ventures (€ 7,616 thousand at 31 December 2016). The face value of these receivables is € 7,421 thousand, while the discounting fund amounts to € 102 thousand. Some of these are non-interest bearing since they were drawn down proportionally from each consortium partner and are thus discounted on the basis of their expected residual maturity, applying Eurirs as the reference interest rate, plus a spread;
- € 3,949 thousand of non-current financial receivables from third parties, showing a slight decrease compared to the balance at 31 December 2016 (€ 4,053 thousand);
- € 101 thousand of securities held to maturity, which remained unchanged compared to 31 December 2016.

Other non-current assets, amounting to € 2,998 thousand at 31 December 2017 (€ 2,323 thousand at 31 December 2016) mainly consist of security deposits related to long-term manufacturing contracts (€ 1,400 thousand) and long-term prepaid expenses relating to certain job orders (€ 1,128 thousand).

8. Inventories

The Group recognized inventories of € 6,057 thousand at 31 December 2017, marking an increase of € 1,675 thousand compared to the previous year.

	31 December 2017	31 December 2016
Inventories of raw materials, consumables and goods for resale	6,282	4,605
Provision for write-down of raw materials, finished products and goods for resale	(225)	(223)
INVENTORIES	**6,057**	**4,382**

The final inventory of raw materials is composed of materials present in the warehouses, while waiting to be used at work sites, valued at the average weighted purchase cost, goods for resale (mostly safety and fire prevention devices) stored in the warehouses of the Sicura Group and stocks of fuel in tanks belonging to integrated service customers.

9. Trade receivables, advances to suppliers and other current receivables

The following table includes the breakdown of Trade receivables and advances to suppliers and Other current operating receivables at 31 December 2017 and 31 December 2016:

	31 December 2017	of which from related parties	31 December 2016	of which from related parties
Inventories of contract work in progress	22,047		18,178	
Trade receivables, gross	401,322		428,037	
Allowance for doubtful accounts	(32,987)		(33,410)	
Trade receivables from third parties	**390,382**	**0**	**412,805**	**0**
Trade receivables from Parent Companies	100	100	60	60
Trade receivables from Group companies	31,343	31,343	36,261	36,261
Trade receivables from Affiliates and Joint Ventures	4,280	4,280	4,090	4,090
Trade receivables from Manutencoop Group	**35,723**	**35,723**	**40,411**	**40,411**
Advances to suppliers	3,060	56	2,879	21
TRADE RECEIVABLES AND ADVANCES TO SUPPLIERS	**429,165**	**35,779**	**456,095**	**40,432**
Other tax receivables due within 12 months	19,767		13,629	
Other current receivables from third parties	7,542		6,987	
Short-term receivables from social security institutions	1,120		2,700	
Short-term receivables from employees	203		480	
Other current assets from third parties	**28,632**	**0**	**23,796**	**0**
Current assets from Manutencoop Società Cooperativa	45	45	7	5
Current assets from associates	664	664	826	649
Other current assets from Manutencoop Group	**709**	**709**	**833**	**654**
Accrued income	0		0	
Prepaid expenses	1,501		1,303	
Accrued income and prepaid expenses	**1,501**	**0**	**1,303**	**0**
Other current assets	**30,842**	**709**	**25,932**	**833**

The balance of trade receivables and advances to suppliers, which also includes inventories of contract work in progress, amounted to € 429,165 thousand at 31 December 2017, showing a decrease of € 26,930 compared to the amount at 31 December 2016 (€ 456,095 thousand. The change in question was mainly contributed to by the decrease of € 26,292 thousand in trade receivables from third parties, net of the change recorded in the provision for bad debts, as well as by a decrease of € 4,688 thousand in trade receivables from the Manutencoop Group companies, which were only partially offset by an increase of € 3,869 thousand in the inventories of contract work in progress.

In 2017 work continued on the assignments without recourse of trade receivables claimed from the National Health System under the contract that was entered into between the Parent Company MFM S.p.A. and Servizi Ospedalieri S.p.A. with Banca Farmafactoring S.p.A. during 2016, for an assignable annual amount of receivables of the same type equal to a maximum amount of € 100 million. It is a committed credit line expiring in 2019. During the year assignments were made in a nominal amount totalling € 83,134 thousand. Furthermore, the Parent Company MFM S.p.A. made assignments without recourse of trade receivables claimed from Public Administration entities for a total of € 8,671 thousand, against the counterparty

Banca Farmafactoring S.p.A. itself, but not linked to the contract referred to above. In all assignments, the assigned trade receivables were subjected to derecognition according to IAS 39 in consideration of the characteristics of the transactions and entailed interest discount costs totalling € 1,546 thousand. At 31 December 2017 the balance of receivables assigned without recourse but not yet collected by Banca Farmafactoring amounted to € 19,341 thousand (of which an amount of € 17,379 thousand related to the assignments of receivables from the National Health System and an amount of € 1,962 thousand related to the assignments of receivables from Public Administration).

Finally, trade receivables from the Group amounted to € 35,723 thousand (€ 40,411 thousand at 31 December 2016).

A specific provision for bad debts was recognized in connection with non-performing receivables, which are difficult to fully recover, amounting to € 32,987 thousand at 31 December 2017 (€ 33,410 thousand at 31 December 2016). Below are the changes for the year:

	31 December 2016	Increases	Uses	Releases	Other changes	31 December 2017
Provision for bad debts	**33,410**	3,658	(3,756)	(458)	133	**32,987**

Increases, equal to € 3,658 thousand, relate to the assessment of the risk arising from the failure to recover amounts from some customers.

The other changes relate to increases in the consolidated provision for write-down of default interest (€ 19 thousand) and reclassifications of provisions initially set aside as provision for risks on job orders for € 114 thousand.

An analysis of trade receivables at 31 December 2017 and as at the end of the previous year is provided below, broken down by maturity. The balances shown are net of the provision for bad debts.

			Overdue trade receivables				
	Total	Trade receivables reaching maturity	< 30 days	30 - 60 days	60 - 90 days	90 - 120 days	Beyond 120 days
31 December 2017	368,335	256,985	23,221	11,428	7,527	10,467	58,707
31 December 2016	394,627	266,166	27,227	16,048	6,809	7,164	71,213

Other current assets, equal to € 30,842 thousand (€ 25,932 thousand at 31 December 2016) showed a total increase of € 4,910 thousand in the year.

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 (€ 18,095 thousand against € 12,197 thousand at 31 December 2016), which continue to show a credit balance given the widespread application of the regulations governing "Split-payment" and "Reverse charge" to the cycle of purchasing and sales invoicing.

During the year the Group made assignments without recourse of VAT receivables requested for refund for a total amount of € 18,743 thousand against interest discount costs of € 323 thousand in order to meet the requirements of a considerable allocation of financial resources arising from this credit position.

The item also includes € 2,173 thousand of credit balances of current accounts held at Unicredit, managed in the name and on behalf of INPDAP (Social Security Institute for employees in public administration), as envisaged in a property management contract entered into with the aforementioned authority. At present some restrictions have been placed on said accounts as a result of the dispute that has arisen with INPDAP. Therefore, for the purposes of an accurate presentation, it was deemed appropriate to classify said item under *Other current receivables*.

Finally, during 2017 the Parent Company MFM S.p.A. and subsidiaries H2H Facility Solutions S.p.A., e-Digital Service S.r.l. and Yougenio S.r.l. started a number of R&D projects in order to

improve their business and delivery of services. The projects were developed and coordinated by internal resources based on their specific skills and duties, with the involvement of specific consultants for the various areas of business and were all completed in 2017.

These research projects meet the requirements laid down in Law no. 190 of 23 December 2014 (Article 1, paragraph 35), as partly amended by Law no. 232 of 11 December 2016 (Article 1, paragraphs 15 and 16), as well as in the Implementing Provisions under a Decree issued by the Ministry of Economy and Finance in agreement with the Ministry of Economic Development on 27 May 2015 and fall within the scope of the parameters set out in the Communication from the Commission (2014/C 198/01) of 27 June 2014, which was published in the Official Journal C/198 of 27 June 2014. These regulations provide for a tax credit for investments made from 1 January 2015 to 31 December 2020 in relation to the expenses incurred in excess of the average of the same investments made in the three tax periods for the financial years 2012, 2013 and 2014, to an extent of 50% of the total incremental expense.

Total R&D costs incurred by the Group Companies in 2017 totalled € 2,157 thousand, an amount of € 1,144 thousand of which was stated as increases in the fixed assets for the year. The proceeds relating to this tax credit were accounted for in the consolidated Statement of profit or loss as operating grants, as a decrease in related costs, for a total of € 507 thousand. The subsidiary Yougenio S.r.l. also incurred R&D costs recognised under intangible assets for which a capital grant was granted, which was taken as a direct reduction in the historical cost of the assets, for € 572 thousand. The total tax credit, stated under Other current receivables, is equal to € 1,078 thousand.

10. Cash and cash equivalents, receivables and other current financial assets

A breakdown of the balance as at 31 December 2017 and 31 December 2016 is shown below:

	31 December 2017	31 December 2016
Bank and postal deposits	51,817	141,486
Cash in hand	38	38
Current financial accounts - consortia	8,015	33,468
Cash and cash equivalents	**59,870**	**174,992**
Current financial receivables from third parties	1,683	1,668
Current financial receivables from Group Companies	185	717
Other receivables for dividends	2	2
Receivables and other current financial assets	**1,870**	**2,387**

Bank deposits accrue interest at the respective short-term interest rates.

Amounts deposited at Consorzio Cooperativo Finanziario per Lo Sviluppo (C.C.F.S.), Consorzio Integra and Consorzio Nazionale Servizi (C.N.S.) also have the nature of available current accounts on demand and accrue interest.

At 31 December 2017 *Current financial assets* amounted to € 1,870 thousand (at 31 December 2016 equal to € 2,387 thousand). At the end of the year under examination the following items were mainly recognised:

- An overall amount of € 302 thousand of receivables from short-term loans and financial accounts held with non-consolidated Group companies (€ 717 thousand at 31 December 2016);
- The balance of pledged current accounts dedicated to the operation of the service within the scope of assignments of trade receivables without recourse with Banca Farmafactoring, equal to € 1,494 thousand (€ 524 thousand at 31 December 2016).

During the year the remaining receivable was collected, which was claimed for the earn-out paid on the transfer of the business of SMAIL S.p.A., a company merged by incorporation into

MFM S.p.A. from 1 January 2016, which had made the transfer during the 2015 financial year (€ 950 thousand).

11. Share capital and reserves

	31 December 2017	31 December 2016
Share Capital—Ordinary shares	109,150	109,150

Ordinary shares have a nominal value of Euro 1 each. Ordinary shares issued and fully paid up at 31 December 2017 amounted to 109,149,600.

The Parent Company does not hold own shares.

Reserves and Retained Earnings

The table below shows changes in Equity reserves in the year :

	Share premium reserve	Legal reserve	SE reserves companies valued at equity	Cash flow hedge reserve	SORIE reserve	Other reserves	Total reserves
1 January 2016	**145,018**	**18,383**	**3,079**	**0**	**(4,465)**	**26,334**	**188,349**
Allocation of profits of previous years					(396)		**(396)**
Economic effects on equity			285		(370)	(11)	**(96)**
31 December 2016	**145,018**	**18,383**	**3,364**	**0**	**(5,231)**	**26,323**	**187,857**
Allocation of profits of previous years		1,321				(44,037)	**(42,716)**
Economic effects on equity			(210)		(2)	(75)	**(287)**
31 December 2017	**145,018**	**19,704**	**3,154**	**0**	**(5,233)**	**(17,789)**	**144,854**

The item *Other reserves* includes, among the others, the balance of the following items:

- The reserve originating from the recognition of joint operations, which includes the differences between the purchase cost and the net carrying amount of the assets acquired under business combinations between jointly-controlled entities, for a negative amount of € 45,400 thousand at 30 December 2017;
- The Parent Company's extraordinary reserve equal to € 28,973 thousand.

The Shareholders' Meeting of the Parent Company MFM S.p.A., convened on 27 April 2017 for the approval of the 2016 Financial Statements, resolved to distribute to the shareholders a dividend of € 25,091 thousand, after fully covering losses from previous years amounting to € 44,256 thousand by partially using the Extraordinary Reserve. The dividend was paid on 25 May and on 26 May.

The table below shows changes in *Retained earnings*:

	Accumulated profits (losses) of the Parent Company	Consolidation reserve	Total retained earnings
1 January 2016	**3,809**	**33,689**	**37,498**
Allocation of profits of previous years	(44,256)	(760)	(45,016)
31 December 2016	**(40,447)**	**32,929**	**(7,518)**
Allocation of profits of previous years	44,256	7,017	51,273
31 December 2017	**3,809**	**39,946**	**43,755**

Below is the breakdown of Shareholders' Equity attributable to minority shareholders. For a detailed list of the companies in which minority interests are held, reference should be made to the paragraph Consolidation Principles.

	31 December 2017	31 December 2016
Equity attributable to minority interests	**381**	**235**
of which attributable to:		
Subsidiaries of Sicura S.p.A.	218	164
Other minor consortia	163	71

	31 December 2017	31 December 2016
Profit (loss) attributable to minority interests	**73**	**(116)**
of which attributable to:		
Subsidiaries of Sicura S.p.A.	73	(116)

The equity and profit (loss) attributable to minority interests relate to the minorities present in some subsidiaries.

MFM S.p.A. held a stake of 85% in the share capital of Sicura S.p.A.. However, no equity attributable to minority interests has been recognized as the Parent Company held a Call option on the minority interest, linked to an additional put option in favour of the minority shareholders which is recognised as a financial liability in the Consolidated Financial Statements. The call option was subsequently exercised on 30 June 2017 and, therefore, MFM S.p.A. held the entire share capital of the sub-holding Sicura S.p.A. at 31 December 2017.

Therefore, the equity and the result for the year attributable to minority interests relates to the minorities present in some indirect subsidiaries relating to the same sub-group.

12. Employee termination indemnity (TFR)

Below are the changes in the liabilities relating to Employee Termination Indemnity (TFR) in 2017, compared with changes in the previous year.

	For the year ended	
	31 December 2017	31 December 2016
At 1 January	**17,043**	**18,424**
Current service cost	691	527
Interest costs on benefit obligations	244	362
Benefits paid	(2,453)	(2,444)
Net actuarial (gains)/ losses from benefit obligations	(7)	398
Other changes	1	(224)
At 31 December	**15,519**	**17,043**

Below is reported the breakdown of the net cost of employee benefits relating to the termination indemnity:

	For the year ended	
	31 December 2017	31 December 2016
Current service cost	691	527
Interest costs on benefit obligations	244	362
Net cost of the benefits recognized through profit or loss	**935**	**889**
Net actuarial (gains)/ losses recognized in equity	(7)	398
Total net benefit costs	**928**	**1,287**

The main financial and demographic assumptions used in the actuarial valuation of the obligation relating to TFR are illustrated below:

	31 December 2017	31 December 2016
Discount rate	1.65%	1.5%
Inflation rate	1.50%	1.2%
Estimated turnover	From 3.5% to 11.50%	From 1.5% to 11.50%

The discount rates used to assess the TFR obligation are defined on the basis of curves of rates of return of high-quality fixed-interest securities, the amounts and maturity dates of which correspond to the amounts and maturity dates of the payments of expected future benefits. In 2017 the discount rate was equal to 1.65% (2016: 1.5%).

The estimated turnover rate is presented in a range as the actuary appointed by the Group Companies for the actuarial estimate of the liability used different turnover rates for the individual companies.

The effects on the TFR obligation from the increasing or decreasing measurement of the financial rates in relation to reasonably possible changes in interests rates and in the assumptions of average duration of the working population, while maintaining all the other variables unchanged, are illustrated below:

	Discount rate	Actuarial assumptions	Employee termination indemnity
Financial year ended 31 December 2017	+ 0.25 bps	+ 0.25 pps	15,089
	- 0.25 bps	- 0.25 pps	15,966
Financial year ended 31 December 2016	+ 0.25 bps	+ 0.10 pps	16,510
	- 0.25 bps	- 0.10 pps	17,498

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 Financial year ended	
	31 December 2017	31 December 2016
Executives	56	58
Office workers	1,232	1,253
Manual workers	14,947	15,004
Average staff	**16,235**	**16,315**

The average number of leased employees provided to the Group by Manutencoop Società Cooperativa was equal to no. 429 units at 31 December 2017 (31 December 2016 : n. 463 units).

13. Provisions for risks and charges

The breakdown and changes in the provisions for risks and charges for the period ended 31 December 2017 are shown below:

	Risks on investments	Risks on job orders	Pending legal disputes	Tax litigation	Agents' indemnity leave	Termination employee benefits	Other provisions	Total
At 1 January 2017	**72**	**8,153**	**43,038**	**478**	**202**	**2,000**	**1,294**	**55,237**
Accruals	8	2,261	2,034			407	881	**5,591**
Uses		(2,254)	(1,793)			(2,128)	(77)	**(6,252)**
Reversal		(3,003)	(2,434)				(10)	**(5,447)**
Others		(114)	(15,331)		21	630		**(14,794)**
At 31 December 2017	**80**	**5,043**	**25,514**	**478**	**223**	**909**	**2,088**	**34,335**
At 31 December 2017:								
Current	*80*	*4,936*	*290*	*478*	*0*	*909*	*17*	***6,711***
Non-current	*0*	*106*	*25,224*	*0*	*223*	*0*	*2,071*	***27,624***
At 31 December 2016:								
Current	*72*	*7,779*	*362*	*478*	*0*	*2,000*	*24*	***10,715***
Non-current	*0*	*374*	*42,676*	*0*	*202*	*0*	*1,270*	***44,522***

Provision for risks on investments

The item, amounting to € 80 thousand at 31 December 2017, includes the provision for unrecoverable future losses of Group companies and related to the subsidiary Alisei S.r.l. in liquidation.

Provision for risks on job orders

This provision includes, at consolidated level:

- estimated risks relating to potential disputes with customers, on the report of works;
- estimated penalties charged by customers;
- estimated costs to complete job orders, in respect of which no additional revenues will be paid.

The balance at the end of the year amounted to € 5,043 thousand, against accruals of € 2,261 thousand, in addition to uses, releases and other changes that led to an overall decrease of € 5,371 thousand in the provision.

Provision for pending disputes

On 20 January 2016 AGCM considered that it had found a breach of competition rules on the part of some companies which had taken part in a European Union tender for cleaning services in school buildings called by CONSIP in 2012 and levied a fine of € 48,510 thousand against the parent company MFM S.p.A., which rejected the arguments on which the charge was based and lodged an appeal against the Authority's order with the Lazio Regional Administrative Court (*Tribunale Amministrativo Regionale*, TAR). On 14 October 2016 it ruled by partially granting the appeal filed by MFM S.p.A. and referring the papers to the Authority for a new calculation of the fine, with the recommendation to reduce both the related taxable base, thus limiting it to the contracted tender amount, and the percentage to be applied to the abovementioned amount, from 15% to 5%. MFM S.p.A. challenged the trial judgment before the Council of State; on 28 February 2017 the latter handed down its ruling, confirming the judgment issued by the Lazio Regional Administrative Court. However, MFM S.p.A. has also challenged the Council of State's ruling, filing an appeal with the Supreme Court on 21 May 2017. Finally, on 23 December

2016, the Authority executed the Lazio Regional Administrative Court's ruling and adopted a new order, recalculating the fine at € 14,700 thousand. This order was also challenged before the Lazio Regional Administrative Court and the Company is waiting for the hearing to be set.

When closing the Financial Statements at 31 December 2016, in the light, among other things, of the appeals lodged by the parties, on which the competent courts had already ruled, the Directors recalculated the risk of outflows related to the fine as a maximum amount of € 14.7 million. On the other hand, on 24 March 2017, the Lazio Regional Administrative Court decided against the application to stay the related payment lodged by MFM S.p.A. and therefore, the entire amount of the fine was reclassified in the item "Other operating liabilities" and reported in the statement of changes in the provisions in "Other changes". Finally, the Competition Authority intervened with the measure of 28 April 2017 with regard to the request for payment by instalments submitted by MFM S.p.A., allowing the latter to pay the fine in 30 monthly instalments at the legal interest rate (currently 0.1%). The Company is paying the monthly instalments on a regular basis.

As a result of the Competition Authority's fine ruling, on 4 February 2016 Consip S.p.A. initiated a procedure to terminate the Agreements entered into within the tender in question, also informing the Company that it would consider the possibility of excluding it from future tenders for "work of the same type", including pursuant to article 38, paragraph 1, letter f) of Legislative Decree 163/06. On 23 November 2016 Consip S.p.A. also gave MFM S.p.A. notice of the final termination of the agreements, expressly stating that it would confiscate the part of the final guarantee deposit (performance bond) which remained after the deposit had been partially released considering the work done normally up to the termination date. It also notified the intention to report the facts to the Italian Anti-Corruption Authority (*Autorità Nazionale Anti-Corruzione*, ANAC) and to the Public Prosecutor's Office. On 24 April 2017, Italian Law Decree no. 50 was published on the O.G.: Article 64 (Services in school) of this law decree envisages the continuation of the acquisition of cleaning services and other auxiliary services until 31 August 2017 for the regions in which the Consip framework agreements have been terminated. In the subsequent Decree Law no. 91 of 20 June 2017, converted with amendments into Law on 3 August 2017, these services were further extended until 31 December 2017; finally, Article 1, paragraph 687, of Law no. 205 of 27 December 2017 ("2018 Budget Law") provided for these agreements to continue until 30 June 2019, in order to allow the regular performance of educational activities for the 2018-2019 school year.

Finally, on 2 December 2016 Consip S.p.A. formally notified the Italian Anti-Corruption Authority (*Autorità Nazionale Anti-Corruzione*, ANAC) of its accusations against MFM S.p.A., as notified in the notice of termination of the Agreements, together with the intention to make a report to the Public Prosecutor's Office. On 7 January 2017 the Company served a writ of summons on the entity, asking the Ordinary Court of Rome to establish the unlawfulness of the notice of termination of the agreements and order Consip S.p.A. to compensate for any damage suffered by the Company. The first hearing for the discussion of the requests submitted during preliminary investigations was held on 5 December 2017; the next hearing has been set for 16 October 2018. The tender performance bond (initially equal to € 24.5 million) might also be partially enforced if the Company loses the case against Consip S.p.A.. After the Regional Administrative Court's judgment of 14 October 2016, which was confirmed by the Council of State's judgment of 1 March 2017, and which substantially reduced the fine that had previously been imposed while not accepting the Company's argument that it was completely extraneous to the accusations, the Directors decided to maintain the provisions for future charges in the Financial Statements at 31 December 2017 (equal to € 17.5 million), also taking account of the risk of enforcement of the abovementioned performance bond and despite the fact that MFM S.p.A. could submit sound arguments against the enforcement of the bond in court. To date the Anti-Corruption Authority has not yet concluded its preliminary investigations.

On 16 June 2017, Consip officially informed MFM S.p.A. of its own decision concerning the exclusion of the Company from the tenders for new agreements relating to cleaning services of barracks ("Consip Caserme") and to cleaning services with health service providers ("Consip

Sanità"), with the intention also to confiscate, in this last case, the surety given by the Company during the tender for the amount of approximately € 10.4 million (known as "bid bond"). However, on 13 July 2017 and on 14 September 2017 respectively, the Lazio Regional Administrative Court ordered the suspension of the measures of exclusion, deferring the decision on the merits of the appeal to the hearing scheduled for 25 October 2017, which was rescheduled for 21 February 2018. In this venue the Company had its appeal rejected and appointed its legal counsels to file an appeal with the Council of State, while submitting a request for precautionary measure from a single-member court and for suspension of the enforcement of the challenged order. The appeal was served on 10 March 2018.

In relation to the above-mentioned exclusions, ANAC (*Autorità Nazionale Anti Corruzione*, National Anti-Corruption Authority) decided to open two proceedings concerning its entry in the electronic criminal records of ANAC, as "Useful information". These proceedings were also suspended by ANAC until the outcome on the merits mentioned above and of proceedings for the application of disqualification measures, which have also been suspended.

With reference to the events referred to above, the Directors also point out that, despite a context that is significantly affected by new regulations and more restrictive approaches with respect to the previous ones, the Company believes that a risk may actually arise mainly with regard to delays in awarding some tenders attributable to situations of further worsening of the disputes connected with the participation in or the awarding of said tenders. To date the risk of the Company being temporarily excluded from public tenders as a result of an order issued by the ANAC can be reasonably regarded as not probable, in consideration of the defence arguments discussed with the Company's legal counsels, which may be submitted both upon participation in the ANAC procedure and at the time of any possible appeal filed with administrative courts, as well as based on the rulings recently handed down by the latter, which has suspended the abovementioned exclusion measures already enacted.

The aforesaid decisions do not imply in any case any impediment for MFM S.p.A. to the participation and awarding of new calls for tenders by Consip and, more in general, by the Public Administration, and any other awarding procedure in progress remains absolutely valid. Moreover, on 16 June 2017, MFM S.p.A. received official communication from Consip to sign the agreements for the two batches of the "Consip Mies 2" tender relating to the award of an "integrated technology multi-service with energy supply for buildings used by Public Health Administrations": these agreements were formally signed on 20 September 2017 and the procedure to sign the individual supply orders was subsequently started. These contracts have a term of 5 or 7 years, at the discretion of each administration, starting from the activation of each supply (expected in the 2018 financial year), with a total limit for MFM S.p.A. of more than € 250 million. Both the Consip Sanità and Consip Caserme tenders, and the Consip Mies 2 agreement, did not generate consolidated Revenues during the 2017 financial year and are not included in the Group's backlog at 31 December 2017.

On 23 March 2017 AGCM notified MFM S.p.A. of the initiation of a preliminary investigation procedure against CNS—Consorzio Nazionale Servizi Società Cooperativa, Dussmann Service, S.r.l., Engie Servizi S.p.A. (formerly Cofely Italia S.p.A.), Manitalldea S.p.A., MFM S.p.A., Romeo Gestioni S.p.A. and STI S.p.A. in order to establish whether these companies implemented any possible understanding restricting competition, concerning the coordination of the procedures to participate in the tender launched by Consip in 2014 for awarding the Facility Management services to be rendered to the properties that are mainly intended for office use on the part of the Public Authorities ("FM4 Tender").

To date AGCM has started preliminary investigations only and has allowed the Companies to access the papers of the proceedings. By an order of 22 November 2017 the Competition Authority also extended, both objectively and subjectively, the proceedings that had already been started; to date these proceedings also concern the SIE3 and MIES2 tenders and involve the industrial holding companies which control the entities initially involved (even if they have not been extended to the parent company Manutencoop Società Cooperativa). The Company firmly

rejects the arguments holding an alleged collusive agreement with the other companies involved in the proceedings. The Directors believe that in no case are the requirements met in terms of probability, as well as of reliable estimate, required by the international accounting standards to set aside a provision for risks.

The Directors believe that there are no significant uncertainties for the purposes of assessing whether the Company meets the going-concern principle, as they fully rely on the arguments discussed with its own legal counsels and have also considered the financial soundness of the Company and of the Group, as well as the substantial amount of contracts that had already been gained as at the reporting date of the Consolidated Financial Statements.

Provision for termination employee benefits

This provision has been set aside to include the amounts due for severance and employee redundancy costs, as part of the sundry restructuring plans implemented by some Group companies over the last few years. At 31 December 2016 the Group had recognized provisions totalling € 2,000 thousand (of which € 1,400 thousand in MFM S.p.A. and € 127 thousand in Servizi Ospedalieri S.p.A.). These provisions were used in full during the year, while the accruals (equal to € 407 thousand) relate to the corporate reorganisation process started by Sicura S.p.A..

Other provisions for risks and charges

The provision, amounting to € 2,088 thousand at 31 December 2017, recognized an overall increase equal to € 881 thousand in the year, attributable to subsidiary Sicura S.p.A. within the scope of the abovementioned reorganisation of the company structure, which involved in particular the sales network.

14. Derivatives

At 31 December 2017, the Group did not record any derivative assets or liabilities.

15. Borrowings, loans and other current financial liabilities

The items *Non-current loans* and *Loans and other current financial liabilities* include both the non-current and current portion of loans from credit institutions and consortium members, respectively.

Furthermore, in application of the financial method of recognizing leases, payables to other lenders are included, as well as other current debt balances of a financial nature such as, for example, the debt for the acquisition of investments or business units and the liability for dividends to be paid.

The tables below set forth the qualitative breakdown by current and non-current financial liabilities at 31 December 2017 and at December 2016.

	31 December 2017	within 1 year	from 1 to 5 years	after 5 years
C.C.F.S. loan	5,000		5,000	
Prepaid interest expenses	(1,024)	(316)	(708)	
Accrued interest expense	230	230		
Long-term bank borrowings and current portion of long-term bank borrowings	**4,206**	**(86)**	**4,292**	0
Proceeds Loan from CMF S.p.A.	168,562	704	167,858	
Current account overdrafts, advance payments and hot money	6,000	6,000		
Finance lease obligations	3,622	491	1,362	1,769
Loans from syndicated shareholders	369	369		
Loan from parent company Manutencoop Società Cooperativa	225	225		
Other financial liabilities	13	13		
Obligations from assignments with recourse	29,999	29,999		
Due to factoring agencies	4,902	4,902		
Debt for the acquisition of investments/business unit	66	66		
Share capital to be paid into investee companies	482	482		
Total financial liabilities	**218,446**	**43,165**	**173,512**	**1,769**

	31 December 2016	within 1 year	from 1 to 5 years	after 5 years
Senior Secured Notes	294,648		294,648	
C.C.F.S. loan	10,000		10,000	
Prepaid interest expenses	(47)	(47)		
Accrued interest expense	10,681	10,681		
Long-term bank borrowings and current portion of long-term bank borrowings	**315,282**	**10,634**	**304,648**	**0**
Current account overdrafts, advance payments and hot money	11,857	11,857		
Finance lease obligations	914	495	419	
Loans from syndicated shareholders	357	357		
Other financial liabilities	7	7		
Amounts collected on behalf of assignees of trade receivables	2,744	2,744		
Obligations from assignments of receivables with recourse	20,805	20,805		
Debt for the acquisition of investments / business units	226	226		
Options on subsidiaries' minority shareholdings	5,438	5,438		
Share capital to be paid into investee companies	692	277	415	
Total financial liabilities	**358,322**	**52,840**	**305,482**	**0**

Senior Secured Notes 2013 (MFM S.p.A.)

On 2 August 2013 the Parent Company MFM S.p.A. issued secured High Yield bonds (Senior Secured Notes) due 1 August 2020, reserved for institutional investors. The bonds, which are listed on the Euro MTF Market of the Luxembourg Stock Exchange and on the Extra MOT Pro Segment of the Italian Stock Exchange, were initially issued for a nominal value of € 425 million, with an issue price below par by 98.713%, with a fixed annual 8.5% coupon on a six-monthly settlement basis. At 31 December 2016 the nominal value of the debt was equal to € 300 million,

given the buy-back transactions carried out during 2014 and 2015, for nominal portions of € 45 million and € 80 million, respectively. None of the Notes purchased (nominal value of € 125 million) were cancelled and they were deposited in a securities account with Unicredit S.p.A.. reported in the Statement of Financial Position as a straight reduction of total financial debt. A part of these securities (amounting to a nominal value of € 14 million) was pledged against committed credit line of € 10 million, due 2018, obtained from CCFS. This credit line was cancelled on 3 July 2017 resulting in the repayment of the debt for principal and, on 20 July 2017, the Parent Company requested the Trustee and the Paying Agent to formally delete all Notes previously held in the portfolio.

On 13 October 2017 the Parent Company MFM S.p.A., in carrying out the refinancing and corporate reorganisation of the Group controlled by Manutencoop Società Cooperativa, took steps for the early redemption of the Senior Secured Notes bond issue at the redemption price of 102.125% envisaged for the early redemption in the Indenture signed during the 2013 financial year (with an issue premium of € 6,375 thousand). The date of redemption (and the consequent cancellation of the Notes) has been set at 13 November 2017 and a negative interest has been paid for the same for 30 days, equal to € 105 thousand. The redemption of the Notes has also entailed the reversal of the remaining additional costs for the issue, accounted for at amortised cost, through profit or loss, for € 4,368 thousand, to which must be added accrued financial costs, which were already accounted for before the redemption for € 984 thousand (€ 1,213 thousand for the 2016 financial year). Finally, financial costs accrued on the coupons of the cancelled Notes until the redemption date for € 22,029 thousand (€ 25,500 thousand for the entire 2016 financial year).

Proceeds Loan (MFM S.p.A.)

During the last quarter of the 2017 financial year the parent company Manutencoop Società Cooperativa carried out a corporate reorganisation and refinancing of the entire Manutencoop Group.

The corporate reorganisation involved the transfer of the shares held by Manutencoop Società Cooperativa in the Parent Company MFM S.p.A. to a newly-established corporate SPV named CMF S.p.A., which also completed the acquisition of the shares held by Institutional Investors in the share capital of MFM S.p.A. (equal to 33.2%). Therefore CMF S.p.A. is now the sole shareholder of MFM S.p.A..

As already mentioned, the refinancing transaction required MFM S.p.A. to repay the Notes that had been issued during the 2013 financial year through the use of a portion of its own Cash and cash equivalents, while raising an intercompany loan (Proceeds Loan) in a nominal amount of € 190.3 million from its direct controlling company CMF S.p.A.; during the 2017 financial year the latter launched a new Senior Secured Notes bond issue in a nominal amount of € 360 million, below par (at 98%), due 2022 and a six-monthly coupon of 9.0%.

In consideration of this Proceeds Loan, the Parent Company has also sustained additional costs for the issue in an initial total amount of € 9,121 thousand, charged back by CMF S.p.A. in proportion to the proceeds reserved for it (equal to 52.86% of total issue). These additional costs have been also accounted for according to the amortised cost, which gave rise to amortisation costs of € 990 thousand during the last quarter of 2017, an amount of € 687 thousand of which relates to the portion of loan (€ 14.3 million) repaid on 12 December 2017, to provide CMF S.p.A. with the financial resources required to pay the six-monthly coupon due 15 December 2017. The Loan bears interest at 9.0%, which amounted to € 3.6 million at 31 December 2017.

The book value of the Proceeds Loan at 31 December 2017 amounted to € 168,562 thousand, against the residual debt on account of principal for € 175,990 thousand, net of the adjustment relating to amortised cost, equal to € 8,132 thousand and increased by interest accrued on the loan and not yet paid, equal to € 704 thousand.

Super Senior Revolving (RCF)

At the same time as the bond issue, the controlling company CMF S.p.A. also entered into a Super Senior Revolving loan agreement with Unicredit Bank AG (RCF), to which MFM 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. CMF S.p.A. has charged all financing costs (equal to € 1,000 thousand) back to the Parent Company MFM S.p.A., which will be also amortised on a straight-line basis throughout the entire term of the credit facility. This amortisation had an impact of € 52 thousand on the 2017 financial year and the remaining amount of these costs was accounted for as a prepaid expense of € 948 thousand on the reporting date of the Consolidated Financial Statements.

After the planned merger of CMF S.p.A. by incorporation into subsidiary MFM S.p.A., Servizi Ospedalieri S.p.A. may also access the Super Senior Revolving credit facility, providing a specific personal security. The Super Senior Revolving loan agreement provides for compliance with a financial covenant, which is preliminary to the possible use of the line granted. This financial covenant is in line with the market practice for similar financing transactions and is recognised on a quarterly basis on the basis of the data relating to the last 12 months, as resulting from the financial position, results of operations and cash flows approved during the quarter prior to the date of the application for use of the credit facility. On the reporting date of these financial statements the financial covenants had been complied with and no use of the facility had been requested from the execution of the agreement.

C.C.F.S. loan C.C.F.S.

At 31 December 2016 non-current financial liabilities included a loan with CCFS amounting to € 10,000 thousand, under an agreement that had been entered into by the Parent Company MFM S.p.A. on 6 August 2015, due August 2018. The loan showed a fixed interest rate, net of a spread with quarterly settlement and was backed by a pledge over the Notes repurchased in previous years and held on securities accounts for € 14 million. This credit facility was repaid early on 3 July 2017, at the same time as the cancellation of the pledge on the Notes.

On 14 November 2017 the Parent Company MFM S.p.A. signed a new loan agreement with CCFS for a total amount of € 10 million. The loan includes two lines of credit, the first of which, amounting to € 5,000 thousand, was disbursed at the same time as the execution and will expire in April 2023. The second 66-month line of credit, for an additional amount of € 5,000 thousand, was disbursed on 13 February 2018, after the end of the financial year and provides for the repayment in six-monthly instalments, with a pre-amortisation period of 12 months.

Obligations arising from finance lease

The lease agreements entered into are not secured and refer to the companies Servizi Ospedalieri S.p.A. and Sicura S.p.A.. They refer to motor vehicles and plant and machinery mainly used by Servizi Ospedalieri S.p.A. in the laundering and sterilization production processes.

On 3 March 2017 the subsidiary Servizi Ospedalieri S.p.A. signed a financial lease agreement with Unicredit Leasing S.p.A. for the purchase of a factory of Lucca, previously used through a lease contract with Manutencoop Immobiliare S.p.A. (company of the Manutencoop Società Cooperativa Group that owned it), for a value of € 4,467 thousand. The finance lease had a duration of 12 years with an initial down payment of € 1,117 thousand and constant monthly instalments, with option for repayment on maturity. The residual debt relating to this financial lease agreement amounted to € 4,060 thousand at 31 December 2017.

Syndicated loans

This item refers to financing provided by the consortium members, which are minorities in the consortium companies included within the scope of consolidation, since they are owned or held in joint venture at 50%. In certain cases, these loans are non-interest-bearing loans and are repayable on request. In other cases, they have a contractually defined maturity and, in others still, they do not have a contractually defined maturity but will essentially be repayable at the end of the long-term service contract, on the basis of which the consortium company was established.

The balance of this item, equal to € 369 thousand, remained substantially unchanged compared to 31 December 2016.

Due to factoring agencies

This item includes receipts from customers on receivables assigned within the factoring of trade receivables without recourse claimed from the National Health System, which was entered into with Banca Farmafactoring S.p.A in 2016, as well as on some of the assignments without recourse of trade receivables claimed from Public Authorities, in relation to which the Parent Company MFM performs the collection service. The amounts collected (equal to € 4,902 thousand at 31 December 2017) were transferred to the factor in the first days of the month after the end of the financial year.

Obligations from assignments of receivables with recourse

During 2015 the Parent Company MFM S.p.A entered into an agreement for the assignment with recourse of trade receivables with Unicredit Factoring S.p.A., concerning receivables from Public Authorities. During 2017 assignments with recourse were made with regard to trade receivables at a nominal value of receivables of € 47,120 thousand. At 31 December 2017 the Group showed obligations arising from assignments with recourse of receivables equal to € 29,999 thousand (€ 20,805 thousand at 31 December 2016).

Options on subsidiaries' minority shareholdings

The options on subsidiaries' minority shareholdings were recognised for an amount of € 5,438 thousand at 31 December 2016 and fully related to the residual value of the Put option held by the minorities of Gruppo Sicura S.r.l. (acquired in 2008 and now merged by incorporation into Sicura S.p.A.). The Investment Agreement signed with the minority shareholders provided for MFM S.p.A. to be granted a Call option exercisable by 30 September 2017. This option was exercised on the expiry date, while the cash outflow (equal to the value previously recognised in the accounts) and the actual acquisition of the shares took place on 10 August 2017.

Prepaid interest expenses

At 31 December 2017 the Group recognised prepaid interest expenses of € 1,024 thousand. The item mainly relates to the arrangement fees initially incurred by CMF S.p.A. for the execution of the RCF agreement (€ 1,000 thousand) and fully charged back to the Parent Company MFM S.p.A..

Share capital to be paid into investee companies

The Group recognized liabilities for capital contribution to be paid to unconsolidated companies for € 482 thousand, against € 692 thousand recognised at 31 December 2016. The change compared to the previous year was due to the partial payment by MFM S.p.A. of the quotas of share capital held in Consorzio Integra.

Debt for the acquisition of investments/business units

This item amounted to € 66 thousand at 31 December 2017 (€ 226 thousand at 31 December 2016). The change was due to the settlement agreement reached by subsidiary Sicura S.p.A. on the residual consideration relating to the acquisition of the business unit from Triveneta Servizi S.r.l. in the 2015 financial year.

16. Trade payables, advances from customers and other current payables

The table below sets forth the breakdown of the item at 31 December 2017 and 31 December 2016:

	31 December 2017	of which to related parties	31 December 2016	of which to related parties
Trade payables	340,362		315,137	
Trade payables to third parties	**340,362**	**0**	**315,137**	**0**
Trade payables to Manutencoop Società Cooperativa	12,450	12,450	4,770	4,770
Trade payables to Group companies within 12 months	26,069	26,069	14,648	14,648
Trade payables to the Manutencoop Group	**38,519**	**38,519**	**19,418**	**19,418**
Advances from customers and payables for work to be performed	14,141	0	11,753	5
Trade payables and advances from customers	**393,022**	**38,519**	**346,308**	**19,423**
Fees due to directors and statutory auditors	531		396	
Tax payables	9,323		9,799	
Payables to social security institutions within 12 months	9,823		8,080	
Other payables to TJA	6,824		6,017	
Payables to employees within 12 months	48,974		46,661	
Other payables within 12 months	14,643		11,360	
Property collection on behalf of customers	2,176		2,176	
Other current operating payables to third parties	**92,294**	**0**	**84,489**	**0**
Other current payables to Manutencoop Società Cooperativa	42	42	62	62
Other payables to Group subsidiaries	(10)	(10)	(17)	(17)
Other current operating payables to Manutencoop Group	**32**	**32**	**45**	**45**
Accrued expenses	8		9	
Deferred income	1,081		1,366	
Accrued expenses and deferred income	**1,089**	**0**	**1,375**	**0**
OTHER CURRENT LIABILITIES	**93,415**	**32**	**85,909**	**45**

Trade payables do not accrue interest and are due, on average, 90/120 days from the invoice date. The other payables are non-interest bearing payables and are settled, on average, after 30 days, excluding payables due to employees for accrued 13th and 14th monthly pay and holidays paid at 6 months on average, and the amounts due to the Tax Authorities.

Trade payables and advances from customers at 31 December 2017 amounted to € 393,022 thousand, against a balance of € 346,308 thousand at 31 December 2016.

Trade payables to Manutencoop Group, amounting to € 38,519 thousand at 31 December 2017, are mainly composed of payables due to Manutencoop Società Cooperativa for € 12,450 thousand, Bologna Multiservizi Soc. Cons. a r.l. for € 606 thousand, Como Energia Soc.Cons.a r.l. for € 999 thousand, Bologna Global Strade Soc. Cons. a r.l. for € 3,926 thousand, Servizi Napoli 5 Soc.Cons. a r.l. for € 1,310 thousand, Se.Sa.Tre. Soc. Cons. a r.l. for € 1,352 thousand and CO.& MA. Soc. Cons. a r.l for € 709 thousand.

Other current liabilities showed a balance of € 93,415 thousand at 31 December 2017 (€ 85,909 thousand at 31 December 2016) and are mainly made up of the following items:

- payables to employees of € 48,974 thousand (€ 46,661 thousand at 31 December 2016) including the current monthly salaries to be paid in the months after the closing of the period, as well as payables for additional monthly salaries to be paid (a portion of the 14th salary, to be paid in the month of July, and the 13th salary, to be paid each year in the month of December). Furthermore, the corresponding payables to social security institutions were recognized for € 9,823 thousand (€ 8,080 thousand at 31 December 2016);
- payables to tax authorities for € 9,323 thousand, mainly relating to the balance of payables for VAT payments on the part of some Group companies and of the IRPEF tax payable for employees (€ 9,799 thousand at 31 December 2016);
- receipts on behalf of Temporary Associations of Companies (ATI) for € 6,824 thousand, which relate to the amounts collected by the Group, on behalf of third parties, mostly relating to job orders under "CONSIP" agreements (€ 6,017 thousand at 31 December 2016).

"Other payables within 12 months" included the debt relating to "*Oneri di Sistema*" until 31 December 2016. The Parent Company MFM S.p.A. in fact holds some major contracts for energy services for which operating payables relating to "*Oneri di Sistema*" were recognised for a total amount of € 6,152 thousand in previous years (according to the regulatory provisions laid down in Decree Law 91/2014, as amended and converted by Law 116/2014 and in the related implementing Decree issued in 2015). On 23 February 2017 the Chamber of Deputies finally approved Decree Law 244 of 30 December 2016, the "*Milleproroghe*" Decree, and converted it into law. The introduced amendments had a significant impact on the regulations in force governing the "*Oneri di Sistema*" and in particular abrogated the rule according to which, except for RIUs, the general "*oneri di sistema*" are determined with reference to the consumption of electricity. According to the previous Bersani Decree (Legislative Decree 79/99), the "*oneri di sistema*" are payable based on the energy withdrawn from the grid: consequently, the entities that do not withdraw energy from the grid because they produce it on their own are exempted from the payment of these charges. Therefore, on the basis of the new regulations, the management of the Parent Company MFM S.p.A. believed that there was no need to record additional "*Oneri di Sistema*" in 2017, assimilating also the elimination of the payment obligations for those related to the previous years for which no payment had been made.

On the other hand, in the first half of 2017, the payable related to the Competition Authority fine of € 14,700 was recorded in the same item following the dismissal by the Lazio Regional Administrative Court of the request for suspension of the payment made by MFM S.p.A. (for further details, refer to the previous note 13). Moreover, the Competition Authority intervened with measure of 28 April 2017 by allowing to pay the fine in 30 monthly instalments at the legal interest rate of currently 0.1%. Therefore, MFM S.p.A. reclassified the provision for disputes already allocated in previous financial years, equal to € 14,700 thousand, and paid no. 9 monthly instalments. The balance of the residual debt at 31 December 2017 was equal to € 10,294 thousand.

17. Operating segments

The services provided by the MFM Group can be divided into three primary areas of business, which coincide with the Strategic Business Units (SBU) where business is channelled. The latter is not affected by significant seasonality factors.

The SBUs identified coincide with the CGUs where the Group's activities are conducted. See note 5 for details.

Information on the operating segments for the financial year ended 31 December 2017

	Facility Management	Laundering & Sterilization	Eliminations	Total
Segment revenues	790,346	130,515	(2,770)	918,091
Segment costs	(748,963)	(113,714)	2,770	(859,907)
Operating income (loss) by segment	**41,383**	**16,801**	**0**	**58,184**
Share of net profit of associates	(2,319)	374		(1,945)
Net financial income (costs)				(39,514)
Profit (loss) before taxes				**16,725**
Income taxes				(16,010)
Profit (loss) from discontinued operations				**0**
NET PROFIT (LOSS) FOR THE YEAR ENDED 31 DECEMBER 2017				**715**

	Facility Management	Laundering & Sterilization	Eliminations	Total
Assets allocated to the segment	447,605	116,856	(1,885)	562,576
Goodwill	358,600	11,763		370,363
Investments	26,870	6,290		33,160
Assets held for sale				
Other assets not allocated and related taxes				101,235
SEGMENT ASSETS	**831,966**	**134,910**	**(1,885)**	**1,066,225**
Liabilities allocated to the segment	480,629	57,549	(1,885)	536,293
Other liabilities not allocated and related taxes				231,151
SEGMENT LIABILITIES	**480,629**	**57,549**	**(1,885)**	**767,444**

	Facility Management	Laundering & Sterilization	Total
Other segment information at 31 December 2017			
Investments in segment assets	9,915	21,634	31,549
Amortisation/depreciation and write-downs of segment assets	13,759	16,522	30,280

Information on the operating segments for the financial year ended 31 December 2016

	Facility Management	Laundering & Sterilization	Eliminations	Total
Segment Revenues	797,237	134,788	(2,928)	**929,097**
Segment costs	(741,494)	(117,241)	2,928	**(855,807)**
Operating income (loss) by segment	**55,743**	**17,547**	**0**	**73,290**
Share of net profit of associates	1,787	(98)		1,688
Net financial income (costs)				(27,759)
Profit (loss) before taxes				**47,219**
Income taxes				(14,738)
Profit (loss) from discontinued operations	1,052			1,052
NET PROFIT (LOSS) FOR THE YEAR ENDED 31 DECEMBER 2016				**33,533**

	Facility Management	Laundering & Sterilization	Eliminations	Total
Assets allocated to the segment	465,278	116,058	(2,703)	578,633
Goodwill	358,693	11,763		370,456
Investments	28,406	5,978		34,384
Assets held for sale				
Other assets not allocated and related taxes				215,942
SEGMENT ASSETS	**852,377**	**133,799**	**(2,703)**	**1,199,415**
Liabilities allocated to the segment	454,924	52,274	(2,703)	504,495
Other liabilities not allocated and related taxes				371,548
SEGMENT LIABILITIES	**454,924**	**52,274**	**(2,703)**	**876,043**

	Facility Management	Laundering & Sterilization	Total
Other segment information at 31 December 2016			
Investments in segment assets	8,823	21,712	30,535
Amortisation/depreciation and write-downs of segment assets	13,854	18,861	32,714

Geographical areas

The Group conducts its core business in Italy. At 31 December 2017 the activities conducted abroad were entirely marginal for the Group and generated revenues amounting to € 1,112 thousand (€ 1,752 thousand at 31 December 2016).

The information by geographical area required by IFRS 8 is shown below for the years ended 31 December 2017 and 2016.

	Italy	Foreign countries	Eliminations	Total
Information by Geographical Area at 31 December 2017				
Revenues	916,979	1,112		918,091
Non-current operating assets	*469,870*	*3*		*469,873*

	Italy	Foreign countries	Eliminations	Total
Information by Geographical Area at 31 December 2016				
Revenues	927,346	1,752		929,098
Non-current operating assets	*464,989*	*14*		*465,003*

18. Revenues from sales and services

The breakdown of the item is shown below for the years ended 31 December 2017 and 31 December 2016:

	For the year ended	
	31 December 2017	31 December 2016
Revenues from product sales	11,107	8,700
Service revenues	785,370	810,591
Revenues from construction activities and plant installation	79,923	72,068
Other sales revenues	39,727	35,399
REVENUES from SALES AND SERVICES	**916,127**	**926,758**

At 31 December 2017, the item Revenues from sales and services amounted to € 916,127 thousand (€ 926,758 thousand at 31 December 2016).

The decrease recorded in this item was mainly attributable to the Private market, as detailed in the Report on Operations. On the contrary, Revenues substantially remained stable in the Healthcare and Public Administration markets, in which the Company continues to hold a leading market position.

19. Other revenues

The breakdown of the item is shown below for the years ended 31 December 2017 and 31 December 2016:

	For the year ended	
	31 December 2017	31 December 2016
Grants	819	673
Asset capital gains	313	528
Recovery of costs - seconded personnel	275	252
Payment of damages	320	790
Revenues for leases and rentals	32	15
Other revenues	205	82
OTHER REVENUES	**1,964**	**2,340**

At 31 December 2017 the balance of *Other revenues* was € 1,964 thousand compared to € 2,340 thousand in 2016.

An amount of € 819 thousand was recognised as operating grants, mainly relating to contributions on employee training projects. Capital gains were predominantly realised by Servizi Ospedalieri through the sale of linen and machinery no longer usable in linen rental and industrial laundering activities.

20. Costs of raw materials and consumables

The breakdown of the item is shown below for the years ended 31 December 2017 and 31 December 2016:

	For the year ended	
	31 December 2017	31 December 2016
Fuel consumption	45,022	48,739
Consumption of raw materials	57,887	51,873
Purchase of semi-finished/finished products	298	56
Purchase of auxiliary materials and consumables	13,897	12,380
Packaging	1,898	1,815
Change in inventories of fuel and raw materials	(1,675)	318
Other purchases	2,415	2,434
CONSUMPTION OF RAW MATERIALS AND CONSUMABLES	**119,742**	**117,615**

At 31 December 2017 the item amounted to € 119,742 thousand compared to € 117,615 thousand at 31 December 2016. The increase, equal to € 2,127 thousand, is mainly due to the higher consumption of auxiliary materials as a result of the integrated service contracts that were mostly developed during the current financial year.

21. Costs for services and use of third party assets

The breakdown of the item is shown below for the years ended 31 December 2017 and 31 December 2016:

	For the year ended	
	31 December 2017	31 December 2016
Third-party services	221,594	219,384
Consortia services	10,754	11,017
Equipment maintenance and repair	7,244	7,044
Professional services	39,238	38,302
Statutory Auditors' fees	307	495
Transport	7,870	7,981
Advertising and promotion	241	387
Bonuses and commissions	2,201	2,630
Insurance and sureties	4,474	4,355
Bank services	290	301
Utilities	6,860	7,834
Travel expenses and reimbursement of expenses	3,956	3,265
Employee services	6,749	6,815
Other services and contingent items	(828)	1,481
Costs for services	**310,950**	**311,291**
Rent expense	13,075	14,912
Rentals and other	4,233	5,162
Costs for leased assets	**17,308**	**20,074**
COSTS FOR SERVICES AND USE OF THIRD PARTY ASSETS	**328,258**	**331,365**

For the year ended 31 December 2017 *Costs for services and use of third party assets* totalled € 328,258 thousand, marking a decrease of € 3,107 thousand compared to the previous year, mainly due to lower costs for hires and rentals.

Specifically, between the end of 2016 and the beginning of 2017, subsidiary Servizi Ospedalieri S.p.A. acquired from Manutencoop Immobiliare S.p.A. the properties located in Ferrara, Lucca and Teramo, which already hosted its production activities. Therefore, costs relating to the use of these properties were recognised as depreciation, in lieu of costs for rentals, during 2017.

Moreover, as early as in previous years, the Group changed the mix of production factors in the performance of certain activities, with a change in favour of the cost of labour, as described in detail under note 22 below.

This item also includes costs for professional services, which were incurred by the Parent Company MFM S.p.A. during the year, against the early redemption of the Senior Secured Notes issued in 2013, as well as costs for advice relating to obtaining the Proceeds Loan from CMF S.p.A. for a total amount of € 4,332 thousand.

22. Personnel costs

The breakdown of the item is shown below for the years ended 31 December 2017 and 31 December 2016:

	For the year ended	
	31 December 2017	31 December 2016
Wages and salaries	250,768	247,169
Social security charges	77,801	76,708
Secondment costs	30,426	31,897
ESI paid to INPS (National Social Security Institute) and to funds	14,539	14,517
Directors' fees	1,193	1,602
Other personnel costs	1,857	1,028
Current benefits	**376,584**	**372,921**
Employee termination indemnity provision	935	889
Subsequent benefits	935	889
Employment termination benefits	4,619	2,456
Employment termination benefits	**4,619**	**2,456**
PERSONNEL COSTS	**382,138**	**376,266**

At 31 December 2017, Personnel Costs, equal to € 382,138 thousand, showed an increase of € 5,872 thousand compared to the previous year (when they amounted to € 376,266 thousand).

During 2017 work continued on the reorganisation efforts of certain Group companies, which entailed additional costs for early retirement incentives for € 4,619 thousand. This item includes non-recurring costs arising from the reorganisation of the Company's units.

At 31 December 2017 the item also included costs arising from a non-recurring bonus paid to the employees in relation to the complex reorganisation of the Manutencoop Group, which led to the exit of the private equity funds that held minority interests in MFM S.p.A. (€ 3,809 thousand).

The total change in Group personnel costs is necessarily correlated to the cost of services, as the mix of production costs linked to "internal" work (i.e. work performed by employees of Group companies) and "external" work (i.e. work performed by third-party providers) can change significantly according to organisational changes aimed at increasing overall productivity.

The ratio between *Revenues from sales and services* and the total amount of costs for internal personnel ("*make*") and services costs ("*buy*") relating to third-party services, services provided by consortia and professional services, came to 141% at 31 December 2017 against 144% at 31 December 2016. The "make-or-buy ratio" shows that the Group is continuing to implement an organisational preference for producing by greater recourse to internal production factors than to purchasing services from external sources.

23. Other operating costs

The breakdown of the item is shown below for the years ended 31 December 2017 and 31 December 2016:

	For the year ended	
	31 December 2017	31 December 2016
Capital losses on disposals of assets	19	69
Losses on receivables		46
Other taxes	2,277	2,144
Fines and penalties	1,341	3,235
Other operating costs and contingent items	(3,356)	2,406
OTHER OPERATING COSTS	**281**	**7,900**

Other operating costs amounted to € 281 thousand, showing a decrease of € 7,619 thousand compared to the previous year (€ 7,900 thousand at 31 December 2016).

"Other operating costs and contingent items" include the contingent asset relating to costs for "*Oneri di Sistema*" allocated in previous years for € 6,152 thousand. The Parent Company MFM S.p.A. in fact holds some major contracts for energy services for which operating payables relating to "*Oneri di Sistema*" were recognised in previous years, according to the regulatory provisions laid down in Decree Law 91/2014, as amended and converted by Law 116/2014 and in the related implementing Decree issued in 2015). On 23 February 2017 the Chamber of Deputies finally approved Decree Law 244 of 30 December 2016 (the "*Milleproroghe*" Decree) and converted it into law. The introduced amendments had a significant impact on the regulations in force governing the "*Oneri di Sistema*" and in particular abrogated the rule according to which, except for RIUs, the general "*oneri di sistema*" are determined with reference to the consumption of electricity. According to the previous Bersani Decree (Legislative Decree 79/99), the "*oneri di sistema*" are payable based on the energy withdrawn from the grid: consequently, the entities that do not withdraw energy from the grid because they produce it on their own are exempted from the payment of these charges. Therefore, on the basis of the new regulations, the management of the Parent Company MFM S.p.A. believed that there was no need to record additional "*Oneri di Sistema*" in 2017, assimilating also the elimination of the payment obligations for those related to the previous years for which no payment had been made.

24. Amortization/depreciation, write-downs and write-backs of assets

The breakdown of the item is shown below for the years ended 31 December 2017 and 31 December 2016:

	For the year ended	
	31 December 2017	31 December 2016
Amortisation of intangible assets	7,446	6,748
Depreciation of property, plant and equipment	19,317	20,490
Write-downs of receivable, net of releases	3,200	4,507
Write-downs of other investments		123
Impairment of Property, Plant and Equipment		614
Other write-downs	317	232
AMORTIZATION/DEPRECIATION, WRITE-DOWNS AND WRITE-BACKS OF ASSETS	**30,280**	**32,714**

At 31 December 2017 the item *Amortization/depreciation, write-downs and write-backs of assets* amounted to € 30,280 thousand compared to € 32,714 thousand at 31 December 2016. The changes that were reported in the breakdown of the item entail an overall decrease in the charges recognised compared to the balance recorded at 31 December 2016, equal to € 2,434 thousand. Specifically note the following:

› A decrease in amortization/depreciation for a total of € 475 thousand, mainly attributable to property, plant and equipment and arising from an overall lower net book value of fixed assets recognized compared to the previous year;

› A decrease in the write-downs of receivables made for € 1,307 thousand during the year;

› The non-recognition of costs arising from write-downs of fixed assets and other equity investments during 2017, which had been recorded for € 737 thousand in the previous year;

› An increase in other write-downs, mainly concerning some receivables from suppliers, for € 85 thousand.

25. Dividends, income and charges from investments

The breakdown of the item is shown below for the years ended 31 December 2017 and 31 December 2016:

	For the year ended	
	31 December 2017	31 December 2016
Dividends	175	484
Capital gains (capital losses) from sale of equity investments	0	14
DIVIDENDS, INCOME AND CHARGES FROM INVESTMENTS	**175**	**498**

In 2017, dividends were collected from other companies not included under the scope of consolidation. They amounted to € 175 thousand, € 16 thousand of which from investee companies of the Parent Company MFM S.p.A. and € 159 thousand from investee companies of Servizi Ospedalieri S.p.A..

26. Financial income

The breakdown of the item is shown below for the years ended 31 December 2017 and 31 December 2016:

	For the year ended	
	31 December 2017	31 December 2016
Interest on bank current accounts	13	17
Interest on non-proprietary and intercompany current accounts	515	574
Interest on trade receivables	3,154	877
Interest from discounting of non-interest bearing loans	3	4
Other financial income	77	492
FINANCIAL INCOME	**3,762**	**1,964**

Financial income recorded an increase compared to the previous year, equal to € 1,798 thousand. The main change in the item related to the recognition of default interest payable by a customer in the public sector following an in-court settlement ruling for € 2,476 thousand.

27. Financial costs

The breakdown of the item is shown below for the years ended 31 December 2017 and 31 December 2016:

	For the year ended	
	31 December 2017	31 December 2016
Charges on current account overdrafts		104
Financial charges on other loans	22,802	26,610
Financial costs for finance leases	125	46
Financial costs on intercompany loans	4,794	
Interest discount on assignments of receivables without recourse	1,869	1,418
Interest on trade payables	126	178
Other financial costs	13,409	1,827
FINANCIAL COSTS	**43,125**	**30,183**

In 2017 *Financial costs* recorded an increase of € 12,942 thousand compared to the previous year. During the last quarter of the year this item included the recognition of non-recurring financial costs arising from the abovementioned Refinancing of the Manutencoop Group, which led the Parent Company MFM S.p.A. to make an early redemption of the Senior Secured Notes bond issue, which had been launched in 2013, initially due 2020 and with a six-monthly coupon of 8.5%, and to obtain an intercompany loan (Proceeds Loan) in a nominal amount of € 190.3 million from its direct controlling company CMF S.p.A.; in 2017 the latter launched a new Senior Secured Notes bond in a nominal amount of € 360 million, below par (at 98%), due 2022 and with a six-monthly coupon of 9%.

Specifically, the Parent Company sustained early redemption costs of € 6,375 thousand (stated under *Other financial costs*), based on the redemption price set in the rules of the cancelled Senior Secured Notes and charges arising from the negative interest accrued with respect to the repayment of the capital quota to bondholders (€ 105 thousand, stated under item *Financial charges on other loans*).

The redemption of the Notes has also entailed the reversal of the remaining additional costs for the issue, accounted for at amortised cost, through profit or loss, for € 4,368 thousand, to which must be added accrued financial costs, which were already accounted for before the redemption for € 984 thousand (€ 1,213 thousand for the 2016 financial year), also stated under *Other financial costs*.

After having obtained the Proceeds Loan from CMF S.p.A., the Parent Company has also sustained additional costs for the issue in an initial total amount of € 9,121 thousand, charged back by CMF S.p.A. in proportion to the proceeds reserved for it (equal to 52.86% of total issue). These additional costs have been also accounted for according to the amortised cost, which gave rise to amortisation costs of € 990 thousand during the last quarter of 2017, an amount of € 686 thousand of which relates to the portion of loan (€ 14,310 thousand) repaid on 12 December 2017, to provide CMF S.p.A. with the financial resources required to pay the six-monthly coupon due 15 December 2017.

Finally, financial costs accrued on the coupons of the cancelled Notes until the redemption date, amounting to € 22.0 million (€ 25.5 million for the entire 2016 financial year), stated under *Financial charges on other loans.*

The Proceeds Loan bears interest equal to 9.0%, amounting to € 3,643 thousand (stated under *Financial costs on intercompany loans*) at 31 December 2017.

At the same time as the bond issue, the controlling company CMF S.p.A. also entered into a Super Senior Revolving loan agreement for € 50 million, to which MFM S.p.A. is a party as Borrower.

CMF S.p.A. has charged all financing costs (equal to € 1,000 thousand) back to the Parent Company MFM S.p.A., which will be also amortised on a straight-line basis throughout the entire term of the credit facility (no drawdown had been requested on the reporting date). This amortisation had an impact of € 52 thousand on the 2017 financial year.

Finally, at 31 December 2017 the Group recognised charges correlated to the assignments of receivables without recourse carried out during 2017 for € 1,869 thousand, of which an amount of € 1,546 thousand linked to the assignment of trade receivables and an amount of € 323 thousand linked to the assignment of receivables on VAT requested for refund. At 31 December 2016 the balance of the item amounted to € 1,418 thousand, when charges of € 618 thousand were also recorded in relation to an assignment without recourse of tax credits linked to the application of Decree Law 201 of 6 December 2010, as amended and converted by Law 214 of 22 December 2011, which allowed a number of Group companies to submit a request for IRES (Corporate Income) tax refund in 2012 due to a non-deduction of IRAP (Local Production Activities) tax for a total amount of € 12.4 million.

28. Current, prepaid and deferred taxes

The breakdown of the item is shown below for the years ended 31 December 2017 and 31 December 2016:

	For the year ended	
	31 December 2017	31 December 2016
Current IRES tax	9,621	13,108
Current IRAP tax	4,064	4,407
(Income) costs from tax consolidation	(1,857)	(1,534)
Adjustments to current taxes of previous years	(878)	3
Current taxes	**10,950**	**15,984**
Prepaid/deferred IRES tax	4,756	(1,259)
Prepaid/deferred IRAP tax	272	(8)
Prepaid/deferred taxes relating to previous years	32	21
Prepaid/deferred taxes	**5,060**	**(1,246)**
CURRENT, PREPAID AND DEFERRED TAXES	**16,010**	**14,738**

In 2017 the Group recorded taxes totalling € 16,010 thousand, marking an increase of € 1,272 compared to the taxes recognized at 31 December 2016.

More specifically, the main changes are as follows:

› A decrease of € 3,487 thousand in the current IRES tax balance;

› A decrease di € 343 thousand in the current IRAP tax balance;

› An increase of € 323 thousand in the balance of income from tax consolidation;

› Positive adjustments to current taxes relating to previous years for € 878 thousand (a positive value of € 3 thousand posted at 31 December2016);

› recognition of a net charge of € 5,060, thousand, relating to the total balance of prepaid and deferred taxes against the recognition of a net income amounting to € 1,246 thousand in the previous year. The future recovery of deferred tax assets has been assessed on the basis of the same forecasts as those used by the Management for the impairment test on goodwill (see note 5).

At 31 December 2017 the Group recognised Current tax receivables for a total amount of € 8,745 thousand, relating to excess IRES tax advances paid to the Tax office or receivables from parent company Manutencoop Società Cooperativa (within the scope of tax consolidation) and Current tax payables equal to € 326 thousand relating to the balance of IRAP tax to be paid.

The reconciliation between current income taxes accounted for and theoretical tax resulting from the application of the IRES tax rate in force for the years ended 31 December 2017 and 31 December 2016 to pre-tax profit is as follows:

	31 December 2017		31 December 2016	
		%		%
Pre-tax profit	**16,725**		**48,604**	
of which discontinued operations	*0*		*1,385*	
Ordinary rate applicable		24.00%		27.50%
Effect of increases (decreases):				
– Temporary differences	(20,416)	(29.30)%	5,517	3.12%
– Permanent differences	36,039	51.72%	(5,247)	(2.97)%
IRES taxable income	32,347		**48,874**	
EFFECTIVE TAX / RATE	**7,763**	**46.42%**	**13,440**	**27.65%**
of which discontinued operations	0		333	

The current IRES tax reported in the statement of reconciliation between theoretical and effective tax rates includes the effects arising from the recognition of income from tax consolidation.

The reconciliation between the effective and theoretical IRAP tax rate is shown below:

	31 December 2017		31 December 2016	
		%		%
Pre-tax profit	**16,725**		**48,604**	
of which discontinued operations	*0*		*1,385*	
Ordinary rate applicable		2.30%		2.30%
		2.68%		2.68%
		2.78%		2.78%
		2.93%		2.93%
		2.98%		2.98%
		3.90%		3.90%
		4.60%		4.60%
		4.73%		4.73%
		4.82%		4.82%
		4.97%		4.97%
Effect of increases (decreases):				
– Labour cost	332,106		337,322	
– Balance from financial management	19,386		20,113	
– Other differences between taxable base and pre-tax result	(271,770)		(300,661)	
IRAP TAXABLE INCOME	**96,446**		**105,379**	
– of which at 2.3%	272		1,558	
– of which at 2.68%	1,226		233	
– of which at 2.93%	231		250	
– of which at 3.90%	60,018		68,125	
– of which at 4.73%	1,099		1,389	
– of which at 4.82%	29,515		29,861	
– of which at 4.97%	4,085		3,963	
EFFECTIVE TAX / RATE	**4,064**	**24.30%**	**4,407**	**9.07%**
of which discontinued operations	0		0	

In 2017, as in 2016, the Group companies did not pay income taxes in areas other than Italy.

Deferred and prepaid taxes

At 31 December 2017 the Group recorded deferred tax assets of € 16,383 thousand, net of deferred tax liabilities of € 12,294 thousand, as shown below:

	Financial Statement Tax Effect		Economic Tax Effect	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Prepaid taxes:				
Multi-year costs	32	120	(88)	(77)
Maintenance exceeding deductible limit	27	57	(30)	(32)
Presumed losses on receivables	5,880	5,595	285	374
Provisions for risks and charges	3,699	5,259	(1,560)	(320)
Write-downs on asset items	492	659	(167)	(390)
Fees due to Directors, Statutory Auditors and Independent Auditors	116	330	(214)	119
Amortization	843	906	(63)	173
Interest expense	3,461	6,211	(2,750)	2,101
Employee benefits and length of service bonuses	1	1		(42)
Employee incentives	7	4	3	(243)
Cash cost deduction	37	8	29	1
Other adjustments	1,788	1,821	(33)	327
Total prepaid taxes	**16,383**	**20,971**	**(4,587)**	**1,991**
Deferred taxes:				
Tax amortisation		(1)	1	14
Lease for tax purposes				39
Employee benefit discounting				51
Goodwill amortisation	(10,110)	(9,454)	(656)	(837)
Purchase Price Allocation (PPA)	(1,760)	(1,828)	68	68
Capital gains—deferred taxation				10
Undistributed profit	(152)	(326)	174	(38)
Other temporary differences	(271)	(203)	(68)	(52)
Other consolidation adjustments				
Total deferred taxes	**(12,294)**	**(11,812)**	**(482)**	**745**
NET PREPAID/(DEFERRED) TAXES	**(4,090)**	**9,159**	**(5,060)**	**1,246**

29. Profit (loss) from discontinued operations

At 31 December 2017 the Group did not own Assets held for sale and did not realise any Profit (Loss) from discontinued operations.

In the Consolidated Financial Statements at 31 December 2016 the economic results achieved by these activities have been excluded from the perimeter of "Continuing operations" and are recognized under a single item of the Statement of Profit or Loss as "Profit (loss) from discontinued operations", in accordance with IFRS5.

Profit (loss) from discontinued operations

Below is the breakdown of profit (loss) from discontinued operations at 31 December 2017 and 31 December 2016:

	31 December 2017	31 December 2016
Capital gain from the sale of MIA S.p.A.		185
Earn-out on the transfer of the SMAIL business		1,200
PROFIT (LOSS) BEFORE TAXES FROM DISCONTINUED OPERATIONS	**0**	**1,385**
Income taxes from discontinued operations		(333)
PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	**0**	**1,052**
Basic earnings per share from discontinued operations	0	0.0096
Diluted earnings per share from discontinued operations	0	0.0096

At 31 December 2016 discontinued operations generated an overall profit, net of tax, equal to € 1,052 thousand, broken down as follows:

- An amount of € 970 thousand (€ 1,200 thousand, net of a tax effect of € 330 thousand) relating to the payment of the earn-out on the transfer of the business of SMAIL S.p.A. that took place in 2014, as a result of the fulfilment of some contract conditions;
- An amount of € 182 thousand (€ 185 thousand, net of a tax effect of € 3 thousand) relating to the positive adjustment to the receivable for escrowed sums collected in the year and relating to the sale of MIA S.p.A. that took place in December 2014.

Net cash flows generated from/(used in) discontinued operations

In 2017 discontinued operations generated the following cash outflows, compared with the cash flows generated during the same period of 2016:

	31 December 2017	31 December 2016
Deferred transfer price of MIA S.p.A. (2014)	0	8.948
Deferred transfer price relating to the transfer of Energyproject S.r.l. (2014)	110	76
Collection of Earn-Out amounts on the sale of SMAIL S.p.A. (2015)	950	250
NET CASH FLOW GENERATED FROM DISCONTINUED OPERATIONS	**1,060**	**9,274**

During 2017 work continued on the partial collection for a total amount of € 110 thousand (€76 thousand in 2016) of the residual receivable that MFM S.p.A. claims from the buyer of Energyproject S.r.l., which was sold in 2014.

Furthermore, the residual receivable was fully collected for the earn-out to be paid on the transfer of SMAIL S.p.A., which took place in 2015, totalling € 950 thousand (€ 250 thousand in 2016).

Finally, the cash flows reported at 31 December 2016 included an amount of € 8,948 thousand for the collection of escrowed sums deposited by the buyer of the total quota held in MIA S.p.A., which took place on 30 December 2014.

30. Earnings per share

Basic earnings per share are calculated by dividing consolidated net profit in the year pertaining to the Parent Company's ordinary shareholders by the weighted average number of outstanding ordinary shares during the year. Diluted earnings per share are, in the case of the MFM Group, equal to basic earnings per share, since no convertible bonds or share options were issued by the Parent Company.

Income and information on the shares used for the purpose of calculating consolidated basic earnings per share are shown below:

	For the year ended	
	31 December 2017	31 December 2016
Net profit attributable to shareholders (in thousands of Euro)	642	33,649
Number of ordinary shares (excluding own shares) for the purpose of basic earnings per share	109,149,600	109,149,600
BASIC AND DILUTED EARNINGS PER SHARE (IN EURO)	**0.006**	**0.308**

	For the year ended	
	31 December 2017	31 December 2016
Net earnings deriving from continuing operations (in thousands of Euro)	715	32,481
Net profit /(loss) deriving from continuing operations pertaining to minority interests (in thousands of Euro)	(73)	116
Net profit deriving from continuing operations pertaining to the Group (in thousands of Euro)	**642**	**32,597**
Number of ordinary shares for the purpose of basic earnings per share	109,149,600	109,149,600
BASIC AND DILUTED EARNINGS PER SHARE OF CONTINUING OPERATIONS (IN EURO)	**0.006**	**0.299**

No other transactions were performed regarding ordinary shares or potential ordinary shares between the balance sheet date and the date the financial statements were drafted.

Dividends

In 2017 the Parent Company distributed a dividend of € 25,091 thousand on the profits accrued at 31 December 2016.

31. Commitments and contingent liabilities

Financial lease

The Group signed financial lease agreements primarily for plant and equipment used in the production processes of the Laundering & Sterilization SBU and for motor vehicles. On 3 March 2017 the abovementioned real property lease agreement was also signed by subsidiary Servizi Ospedalieri S.p.A. for the acquisition of the factory located in Lucca.

The table below details the amount of future rental fees deriving from financial leases and the current value of these fees:

	31 December 2017		31 December 2016	
	Rental fees	Present value of rental fees	Rental fees	Present value of rental fees
Within one year	586	491	523	495
From one year to five years	1,474	1,362	439	419
After five years	2,442	1,769	0	0
TOTAL LEASE FEES	**4,502**	**3,622**	**962**	**914**
Financial costs	(880)		(48)	
PRESENT VALUE OF LEASE FEES	**3,622**	**3,622**	**914**	**914**

At 31 December 2017 the Group granted sureties to third parties for:

- guarantees against financial obligations amounting to € 11,037 thousand (€ 4,834 thousand compared to 31 December 2016), of which € 4,425 thousand issued in the interest of associates for bank overdrafts and other financial obligations (€ 4,834 thousand at 31 December 2016);

- sureties granted to third parties to ensure the correct fulfilment of contract obligations in place with customers and suppliers, amounting to € 234,241 thousand (31 December 2016: € 229,871 thousand), of which € 435 thousand issued in the interest of associates;

- other guarantees granted to third parties in favour of associates, joint ventures and other equity investments for € 10,014 thousand (€ 15,056 thousand at 31 December 2016);

- other guarantees granted to third parties to replace security deposits required to activate utilities or to execute lease agreements, as well as for VAT refunds from Inland Revenue Agency, for a total amount of € 5,040 thousand (31 December 2016: € 4,657 thousand).

The guarantees in favour of Factoring Agencies, issued to ensure correct fulfilment of factoring contracts, were cancelled in 2017 (€ 2,104 thousand at 31 December 2016).

Guarantees given within the Senior Secured Notes bond issue of 2013

The Parent Company MFM S.p.A. and the subsidiaries Servizi Ospedalieri S.p.A. and H2H Facility Solutions S.p.A. issued, in favour of the bondholders for the bond issue placed in 2013, the following collaterals:

- first-recorded pledge on the shares held by MFM S.p.A. in H2H Facility Solutions S.p.A. and in Servizi Ospedalieri S.p.A., equal to 100% of the capital of the same;

- assignment as security of receivables from private customers claimed by MFM S.p.A. and H2H Facility Solutions S.p.A.;

- execution of a deed of pledge on the current accounts held with Unicredit S.p.A., which were credited with the amounts collected from private customers assigned as security;

- the release by Servizi Ospedalieri S.p.A. and H2H Facility Solutions S.p.A. of a personal security.

The guarantees listed above could be called by the counterparties only if one of the default events envisaged in the abovementioned contracts occurred and, therefore, until the occurrence of these events, the guaranteed assets were fully available to the Group. No default event occurred until the early redemption of the Notes. All guarantees provided within the bond issue were cancelled following the early redemption of the Notes, which took place on 13 October 2017.

Guarantees arising from the Senior Secured Notes bond issue launched by controlling company CMF S.p.A. in 2017 and from the Super Senior Revolving loan agreement with Unicredit Bank A.G.

The controlling company CMF S.p.A., which was established by parent company Manutencoop Società Cooperativa in 2017, launched a Senior Secured Notes bond issue in 2017, due 2022. On 29 June 2017 CMF also signed, as the Parent Company, a Super Senior Revolving loan agreement for € 50 million, governed by English law, to which MFM S.p.A. became a party as Borrower. In this context the Parent Company MFM S.p.A. benefitted from a Proceeds Loan bearing interest at a rate equal to that of the bond issue.

During 2018 CMF S.p.A. will be the object of a reverse merger by incorporation into its subsidiary MFM S.p.A., pursuant to the provisions laid down in the Indenture signed on 13 October 2017. After the merger, the indirect subsidiary Servizi Ospedalieri S.p.A. may also access the revolving credit facility, providing a specific personal security.

The payment obligations connected to both the Bond Issue and the Super Senior Revolving facility are mainly backed by the following collateral provided on 13 October 2017 *pro indiviso* in favour of bond and bank creditors:

- a first-degree pledge over the total shares of MFM S.p.A.;
- an assignment, by way of security, involving receivables arising from the abovementioned Proceeds Loan.

The Parent Company MFM 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.

After the completion of the Merger, MFM S.p.A. shall also create:

- a pledge over the total shares of Servizi Ospedalieri S.p.A.;
- an assignment, by way of security, involving receivables held by MFM S.p.A., arising from intercompany loans granted by it to some of its subsidiaries.

Furthermore, after the completion of the merger, the first-degree pledge over the shares of MFM S.p.A. will be the object of a deed of acknowledgment and confirmation to be signed by Manutencoop Società Cooperativa.

The guarantees listed above may be called by the counterparties only in the case that one of the events of default envisaged in the abovementioned contracts occurs; up to the occurrence of the same, the assets covered by the guarantee are fully available to the Group. At 31 December 2017 no events of default had occurred.

Contingent liabilities

As at the date of approval of the Consolidated Financial Statements at 31 December 2017 contingent liabilities had arisen for the MFM Group which had not been recognised in the accounts, for which the Management believes that the related financial risks can be regarded as possible but unlikely.

Compensation for damages for the fire in the former Olivetti area in Scarmagno (Turin)

MFM S.p.A. is the entity liable to compensate the aggrieved party for damages for the offences of fire by negligence and violations of safety regulations following the fire which broke out in the former Olivetti area at Scarmagno, in the Province of Turin, on 19 March 2013. During 2017 hearings continued to be held before the Court of Ivrea, until the Court of first instance's ruling was issued on 24 February 2017, whereby the defendants were acquitted "for not having committed the crime". However, this judgment was appealed against by the Public Prosecutor's Office and by the aggrieved parties Prelios SGR, Telecom Italia S.p.A and Olivetti S.p.A in July 2017 and we are waiting for the hearing to be set before the Turin Court of Appeal.

In relation to this fire, the insurance companies involved paid the injured parties over € 38 million in damages and then formalised their application to recover the sum from both the individual persons charged and their employers, including MFM S.p.A.. The claim for damages amount to about € 50 million in all, including the claims from the owners of the properties affected and the above insurance company claims. On the other hand, on 24 February 2017, a writ of summons was served by AIG Europe Limited (one of the insurance companies party to the action) on MFM S.p.A. and the persons involved in order to obtain, by way of subrogation, what had already been paid to Telesystem Electronics S.r.l (owner of goods stored at the factory of Scarmagno) for a value of € 187 thousand. As part of the above proceedings, Generali Assicurazioni also appeared before the court with notice of voluntary joinder by making a similar claim for more than € 24 million.

After careful assessment of the available evidence and also following the acquittal in first instance, the Directors considered the risk as possible but unlikely.

Naples Public Prosecutor's Office investigation into the tender for awarding cleaning services at A.O.R.N. Santobono Pausilipon

On 3 April 2017 the Naples Public Prosecutor's Office served a search order against some executives of the Company, which was executed at the registered office of the same. These executives are involved in the investigation started by the Naples Public Prosecutor's Office as to the tender for awarding cleaning services at A.O.R.N. Santobono Pausilipon of Naples. The executives are charged, among other things, with the offence of corruption pursuant to Articles 319 and 319-*bis* of the Italian Criminal Code, which is potentially relevant pursuant to Legislative Decree 231 of 2001.

The Judge for Preliminary Investigations of the Court of Naples initially took a precautionary measure (obligation to stay pursuant to Article 283 of the Italian Code of Criminal Procedure) against the Company's executive who was the only one to be investigated and who was a Company's function manager at the time of the facts being contested; instead, he ordered the revocation of the precautionary measure at the end of the custodial interrogation. Finally, on 27 April 2017, the summons for the hearing was formally served on MFM S.p.A. for discussing the request for applying the precautionary disqualification measure to the Company formulated by the Public Prosecutor pursuant to Legislative Decree 231/2001; however, the Judge for Preliminary Investigations of the Court of Naples rejected this request for disqualification measure, since he did not believe that the requirements had been met for the application of this measure. With regard to the only two employees who at the time of the facts were executives, on 2 August, the Judge for Preliminary Investigations of the Court of Naples, at the request of the Public Prosecutor, ordered the dismissal of the related proceedings.

Finally, on 28 December 2017, the Judge for Preliminary Investigations ordered the commitment for trial for the Company and two employees. MFM S.p.A. confirms that it is completely extraneous to the alleged offences with which it is charged, while specifying that the two employees committed for trial at the time of the facts did not hold any executive office and that one of them left the Manutencoop Group well before the execution of the alleged unlawful agreement objected against. The first hearing for the trial was set for 1 March 2018 and was then postponed due to a defect in the service of process to 3 May 2018.

32. Transactions with related parties

Related party transactions were performed under normal market conditions, i.e. in line with conditions that would be applied between aware and independent parties. Market prices are applied to both commercial and financial transactions.

Non-interest bearing loans are only disbursed in the case of pro-quota financing granted by syndicated shareholders to consortium companies. These loans were, however, discounted in the financial statements of the Parent Company MFM S.p.A..

The Parent Company not only provides technical-production services relating to the core business, but also administrative and IT services for certain Group companies. The Parent Company also has some administrative, financial and lease service contracts in place with its indirect parent company Manutencoop Società Cooperativa, as well as a loan agreement named Proceeds Loan with its direct controlling company CMF S.p.A..

The main contracts in place with other MFM Group companies, controlled by Manutencoop Società Cooperativa, with the latter and its subsidiaries, are shown below:

- e-Digital Solutions S.r.l. signed a contract with associate Roma Multiservizi S.p.A. on the basis of which it is committed to providing an Information System service. The contract makes provision for an annual consideration of € 815 thousand and will expire on 31 December 2018.

- Manutencoop Società Cooperativa sub-leased to MFM S.p.A. the part of the property located in Zola Predosa, via Poli no. 4 (BO), for office use. The lease is tacitly renewable, except in the event of termination by one of the parties. Annual rent is expected to be € 1,325 thousand to be paid in monthly instalments.
- The affiliate company Manutencoop Immobiliare S.p.A. leased to Sicura S.r.l. the property located in Vicenza (VI), at via Zamenhof no. 363, for use as offices/warehouse. The duration of the lease has a 6-year term and is tacitly renewable, except in the event of termination by one of the parties. Annual rent is expected to be € 370 thousand, to be paid in monthly instalments.
- The affiliate company Manutencoop Immobiliare S.p.A. leased to MFM S.p.A. the part of the property located in Mestre (VE), via Porto di Cavergnago no. 6, for office use. Annual rent is expected to be € 320 thousand, to be paid in 12 monthly instalments.
- On 6 July 2007, MFM S.p.A. signed a framework agreement with its parent company, Manutencoop Società Cooperativa, in order to regulate the essential contents of subsequent personnel leases from Manutencoop Società Cooperativa to MFM S.p.A, pursuant to Title III, Chapter I of Legislative Decree 276/2003. The contract has a five-year term, and is tacitly renewed, unless terminated by one of the parties. As a result of said agreement, which has the legal nature of a legislative contract that does not grant rights to third parties, MFM S.p.A. and the parent company Manutencoop Società Cooperativa set out the conditions that regulate any future contracts for the leasing of shareholding personnel of Manutencoop Società Cooperativa, and the operating rules for establishing and terminating said contracts.
- Manutencoop Società Cooperativa is committed, on the basis of contracts stipulated with the individual companies of the MFM Group, to preparing pay packets.
- MFM S.p.A. signed agreements with Manutencoop Società Cooperativa and its subsidiaries for the provision of tax consultancy services.
- On 13 October 2017 MFM S.p.A. entered into a loan agreement named Proceeds Loan with the sole shareholder CMF S.p.A., expiring on 15 June 2022 and bearing interest at an annual fixed rate of 9.0%, payable on a six-monthly basis on 15 June and 15 December.

The breakdown of the balances relating to the transactions carried out by the Group's Companies with related parties is provided in Annex III attached to these Consolidated Financial Statements.

The MFM Group is subject to the management and coordination activities of Manutencoop Società Cooperativa and, pursuant to art. 2497-*bis*, paragraph 4 of the Italian Civil Code, the key figures of the latest set of approved financial statements are provided below:

	31 December 2016	31 December 2015
BALANCE SHEET		
ASSETS		
A) Subscribed capital, unpaid	18	42
B) Fixed assets	273,189	318,497
C) Current assets	27,337	40,916
D) Accrued income and prepaid expenses	1,583	1,811
TOTAL ASSETS	**302,127**	**361,266**
LIABILITIES AND SHAREHOLDERS' EQUITY		
A) Shareholders' equity:		
Share capital	6,350	7,198
Reserves	220,471	246,108
Profit/(Loss) for the year	(44,042)	(25,637)
B) Provisions for risks and charges	4,511	2,096
C) Employee Severance Indemnity	1,506	1,700
D) Payables	112,494	129,096
E) Accrued expenses and deferred income	837	705
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**302,127**	**361,266**
INCOME STATEMENT		
A) Value of production	35,338	35,099
B) Cost of production	(39,017)	(34,539)
C) Financial income and costs	(42,610)	(4,881)
D) Value adjustments to financial assets	(4,096)	(20,108)
Income taxes for the year	6,343	(1,208)
Profit/(Loss) for the year	**(44,042)**	**(25,637)**

Remuneration of members of the Governing and Control Bodies, as well as of other executives with strategic responsibilities

On 13 October 2017 the Shareholders' Meeting of MFM S.p.A., after the completion of the reorganisation and refinancing of the Group controlled by Manutencoop Società Cooperativa, approved the new Articles of Association and appointed a new Board of Directors and a Board of Statutory Auditors with control functions.

Fees paid to members of governing and control bodies reported below include the total fees paid to the members of these corporate bodies which acted during 2017, as well as those paid to executives with strategic responsibilities in the Parent Company, including for roles held in other Group companies:

	31 December 2017	31 December 2016
Board of Directors/Management Board		
Short-term benefits	608	703
Post-employment benefits	0	0
Total Board of Directors/Management Board	**608**	**703**
Executives with strategic responsibilities		
Short-term benefits	5,153	2,527
Post-employment benefits	141	120
Total other executives with strategic responsibilities	**5,294**	**2,647**
Board of Statutory Auditors / Supervisory Board		
Short-term benefits	196	375
Total Board of Statutory Auditors / Supervisory Board	**196**	**375**

The table below reports the fees accounted for in the 2017 consolidated income statement for audit and non-audit services rendered by EY S.p.A. and by other entities in its network:

	31 December 2017	31 December 2016
Audit services	807	586
Certification services	54	0
Other services	73	30
TOTAL fees due to the Independent Auditors	**934**	**616**

Audit services include the fees paid for the audit of annual and interim consolidated financial statements. Certification services relate to the fees paid for the issue of tax compliance certificates and the engagements for performance of agreed-upon procedures.

Other services concerned advice services concerning the start-up of the Group's foreign operations.

33. Management of financial risks

Management of financial requirements and the relative risks (mainly interest rate and liquidity risk) is performed centrally by the Group's finance function on the basis of guidelines approved by the Parent Company's Board of Directors which are reviewed periodically. The main objective of these guidelines is to guarantee the presence of a liability structure that is balanced with the composition of the balance sheet assets, in order to maintain a high level of capital strength.

The other financial instruments that are traditionally used by the Group Companies are made up of:

- short-term loans and revolving non-recourse and recourse factoring transactions targeted at funding working capital;
- the very short-term credit facilities used for contingent cash requirements;
- medium/long-term loans with a multi-year repayment plan to cover investments in fixed assets and acquisitions of companies and business units.

The Group also uses trade payables deriving from operations as financial instruments. The Group's policy is not to trade financial instruments.

The Group's financial instruments were classed into three levels provided by IFRS 7. In particular, the fair value hierarchy is defined in the following levels:

- Level 1: corresponds to prices of similar liabilities and assets listed on active markets.
- Level 2: corresponds to prices calculated through features taken from observable market data.
- Level 3: corresponds to prices calculated through other features that are different from observable market data.

The table below shows the hierarchy for each class of financial asset measured at fair value at 31 December 2017 and 31 December 2016.

	Hierarchy				Hierarchy			
	31 December 2017	**Level 1**	**Level 2**	**Level 3**	**31 December 2016**	**Level 1**	**Level 2**	**Level 3**
Financial assets at fair value through profit or loss								
Financial receivables, securities and other non-current financial assets	**101**	101			**101**	101		
- of which securities	**101**	101			**101**	101		
Available-for-sale financial assets								
Financial receivables and other current financial assets	**0**	0			**0**	0		
- of which hedging derivatives	**0**	0			**0**	0		
- of which non-hedging derivatives	**0**	0			**0**	0		
Total FINANCIAL Assets	**101**	**101**			**101**	**101**		

The other financial assets posted in the Statement of financial position are not measured at fair value and the Group has no financial liabilities measured at fair value at 31 December 2017 and 31 December 2016. During the period under consideration there were no transfers between fair value measurement levels. There were no changes in allocation of financial assets that led to a different classification of asset. The Group does not hold instruments to warrant amounts receivable to mitigate credit risk. The carrying amount of financial assets, therefore, represents its potential credit risk.

Classes of financial assets and liabilities

The following table shows the classification of financial assets and liabilities recorded in the consolidated Financial Statements of the MFM Group, as required by IFRS 7, and the associated economic effects for the year ended 31 December 2017:

	31 December 2017	**Available-for-sale financial assets**	**Loans and receivables**
Non-current financial assets			
Other investments	4,757	4,757	
Non-current financial assets	11,369		11,369
Other non-current assets	2,998		2,998
Total non-current financial assets	**19,124**	**4,757**	**14,367**
Current financial assets			
Trade receivables and advances to suppliers	429,165		429,165
Current tax receivables	8,745		8,745
Other current assets	30,842		30,842
Current financial assets	1,870		1,870
Cash and cash equivalents	59,870		59,870
Total current financial assets	**530,492**	**0**	**530,492**
TOTAL FINANCIAL ASSETS	**549,616**	**4,757**	**544,859**
FINANCIAL INCOME (COSTS)	**3,937**	**175**	**3,762**

	31 December 2017	Financial Liabilities at Fair Value through profit or loss	Financial Liabilities at amortised cost
Non-current financial liabilities			
Non-current loans	175,281		175,281
Financial liabilities for non-current derivatives	0		0
Other non-current liabilities	86		86
Total non-current financial liabilities	**175,367**	**0**	**175,367**
Current financial liabilities			
Trade payables and advances from customers	393,022		393,022
Current tax payables	326		326
Other current liabilities	93,415		93,425
Bank borrowings and other financial liabilities	43,165		43,165
Total current financial liabilities	**529,928**	**0**	**529,928**
TOTAL FINANCIAL LIABILITIES	**705,295**	**0**	**705,295**
FINANCIAL INCOME (COSTS)	**(41,256)**	**0**	**(43,125)**

The same information for the year ended 31 December 2016 is shown below:

	31 December 2016	Available-for-sale financial assets	Loans and receivables
Non-current financial assets			
Other investments	3,850	3,850	
Non-current financial assets	11,769		11,769
Other non-current assets	2,323		2,323
Total non-current financial assets	**17,942**	**3,850**	**14,092**
Current financial assets			
Trade receivables and advances to suppliers	456,095		456,095
Current tax receivables	3,500		3,500
Other current assets	25,932		25,932
Current financial assets	2,387		2,387
Cash and cash equivalents	174,992		
Total current financial assets	**662,906**	**0**	**487,914**
TOTAL FINANCIAL ASSETS	**680,848**	**3,850**	**502,006**
FINANCIAL INCOME (COSTS)	**2,462**	**498**	**1,964**

	31 December 2016	Financial Liabilities at Fair Value through profit or loss	Financial Liabilities at amortised cost
Non-current financial liabilities			
Non-current loans	305,482		305,482
Financial liabilities for non-current derivatives	0		0
Other non-current liabilities	50		50
Total non-current financial liabilities	**305,532**	**0**	**305,532**
Current financial liabilities			
Trade payables and advances from customers	346,308		346,308
Current tax payables	1,363		1,363
Other current liabilities	85,909		85,910
Bank borrowings and other financial liabilities	52,839		52,839
Total current financial liabilities	**486,419**	**0**	**486,420**
TOTAL FINANCIAL LIABILITIES	**791,951**	**0**	**791,952**
FINANCIAL INCOME (COSTS)	**(31,601)**	**0**	**(31,601)**

During the year the Group controlled by Manutencoop Società Cooperativa carried out a reorganisation and refinancing transaction, which led to establishing a SPV named CMF S.p.A., which is now the direct controlling company of MFM S.p.A.. Specifically, CMF S.p.A. was established for the launch of a bond issue (Senior Secured Notes) aimed at repurchasing the Notes already issued by the Parent Company MFM S.p.A. in 2013, as well as purchasing the shares held by the minority interests in the share capital of the Parent Company MFM S.p.A. and repaying the other financial debt of the entire Group controlled by Manutencoop Società Cooperativa.

On 6 July 2017, CMF S.p.A. launched a 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, at a price equal to 98% and a coupon at a fixed rate of 9.0% p.a., payable on a six-monthly basis. The terms and conditions referred to in the rules of the Bond Issue are laid down in the Indenture, which is governed by the law of the State of New York.

This bond issue was initially deposited by Bank of New York in escrow account, until the release of the same on 13 October 2017. On the same date MFM S.p.A. received from CMF S.p.A. a Proceeds Loan amounting to € 190,300 thousand, which was partially repaid for € 14,310 thousand on 12 December 2017 in order to allow CMF S.p.A. to pay the six-monthly coupon expiring on 15 December 2017. The Parent Company MFM S.p.A. has then used the cash obtained under the Proceeds Loan agreement and a portion of its own cash generated during the period for making the early redemption of the Notes issued in 2013. The Proceeds Loan is expected to expire on 15 June 2022 and to accrue interest at an annual fixed rate of 9%, with six-monthly payments on 15 June and 15 December.

In 2018 the Group will carry out the merger of CMF S.p.A. by incorporation into its subsidiary MFM S.p.A., while paying off the Proceeds Loan and acquiring the bond issue directly in MFM S.p.A., with related obligations and guarantees already described in note 31 above.

Liquidity risk

The Group's objective is to maintain a balance between funding and flexibility through the use of current account overdrafts, short-term bank loans (hot money and advances), finance leases and medium/long-term loans.

The Group is characterised by a labour-intensive model which does not involve significant requirements of capital for investments. However, the Group's customers are mainly composed of public authorities, known for long payment times in respect of the services provided. This aspect means the Group has to also finance working capital through bank indebtedness.

For this purpose the Group may make use of committed credit lines in the form of loans or of assignments without recourse of trade receivables in order to meet financial requirements (if any).

On 23 February 2016, MFM S.p.A. and Servizi Ospedalieri S.p.A. entered into a factoring maturity contract, without recourse, with Banca Farmafactoring S.p.A. in relation to the assignment of receivables from entities in the National Health System, for an annual cumulative amount of up to € 100 million. It is a committed credit line with a term of three years (expiring in February 2019).

Within the context of the abovementioned refinancing transaction, CMF S.p.A. also signed a Super Senior Revolving (RCF2) loan agreement for a total amount of € 50 million, governed by English law, to which MFM is a party as a borrower. Specifically, the Super Senior Revolving Loan agreement was entered into between, among others, CMF S.p.A., on the one hand, and J.P. Morgan Limited and UniCredit S.p.A., which act as Mandated Lead Arrangers, UniCredit Bank AG, Milan Branch, as Agent and Security Agent, and the Original Lenders, on the other hand. After the merger, the indirect subsidiary Servizi Ospedalieri S.p.A. may also access the revolving credit

facility, providing a specific personal security. No amount arising from uses under the Super Senior Revolving Loan Agreement may be used, directly or indirectly, in order to, among other things, proceed with the repurchase or redemption of the Bond Issue or the purchase of shares in MFM or distributions to CMF S.p.A.. The RCF line, which had not yet been used at the reporting date, is an important cash elasticity tool that can be activated on demand within a limited number of business days.

Finally, on 14 November 2017 the Parent Company MFM S.p.A. signed a new loan agreement with CCFS for a total amount of € 10 million. The loan includes two lines of credit, the first of which, amounting to € 5,000 thousand, was disbursed at the same time as the execution and will expire in April 2023. The second 66-month line of credit, for an additional amount of € 5,000 thousand, was disbursed on 13 February 2018, after the end of the financial year and provides for the repayment in six-monthly instalments, with a pre-amortisation period of 12 months.

The Group's management believes that the structure of the financial debt maturity, as well as the availability of the abovementioned committed credit lines, allow the Group to meet its financial requirements in an adequate manner.

Price risk

Risks of this nature which the Group is exposed to could involve changes in the price:

- of oil products relating to heat management activities,
- of cotton, the raw material in the linen used for laundering activities.

However, concerning oil products, these changes are, for the most part, accommodated by the conditions of contracts in place with customers, given that price revision is provided for both by contract, and by art. 115 of Decree Law no. 163 of 12 April 2006. Therefore, it is deemed that the effect on the Group's profit for the year arising from changes in prices, even significant, would essentially have been insignificant, in terms of amount.

Credit risk

The Group's portfolio mix, which, in the past, was made up mainly of contracts with the Public Administration, a situation that did not present insolvency problems, but which required constant contact with customers in order to minimise delays caused by the Authority's red-tape and jointly resolve problems relating to their financial management.

At present the portfolio mix also includes some large Italian industrial and banking groups, mainly organised as a network all over the country.

There are no significant credit concentration risks to report, which are carefully monitored by the Group. Furthermore, given the continuing economic downturn, the Group has equipped itself with specific procedures and structures aimed at a more efficient management of its working capital, as well as of debt collection.

Fair value

The carrying amount of the Group's financial instruments recorded in the Consolidated Financial Statements does not deviate from the fair value, including the value of those classified as assets held for sale. Market interest rates were applied to financial assets and liabilities as at the balance sheet date.

The comparison between the carrying amount and fair value of the main financial assets and liabilities is shown below:

	Carrying Amount		Fair value	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Financial assets				
Cash and cash equivalents	59,870	174,992	59,870	174,992
Receivables and other current financial assets	1,870	2,387	1,870	2,387
Other minority interests	4,757	3,850	4,757	3,850
Non-current financial receivables	11,369	11,769	11,369	11,769
Financial liabilities				
Loans:				
– Variable rate loans	44,620	23,846	44,620	23,846
– Fixed rate loans	168,562	328,197	168,562	328,197
Other current financial liabilities	5,263	6,278	5,263	6,278

Interest rate risk

With the refinancing transaction carried out through CMF S.p.A., the Group has requalified its own financial structure, extending the maturity of the medium/long-term debt and keeping a short-term debt portion balanced with respect to the financing requirements of its working capital.

The financial resources required to complete the early redemption of the bond issue launched in 2013 have been provided by CMF S.p.A. through the disbursement of a Proceeds Loan to the parent company MFM S.p.A., at a rate equal to that of the Notes issued (equal to 9.0%). The residual debt on account of principal of this Proceeds Loan amounted to € 175,990 thousand at 31 December 2017.

In addition to the Proceeds Loan, the Group uses, as medium/long-term financing, bank loans subject to the application of fixed interest rates and finance lease agreements subject to the application of variable interest rates.

The forms of short-term financing used by the Group, which are mainly subject to the application of variable rates which can be identified as the EURIBOR rate, include current account overdrafts, short- and very short-term (hot money) bank loans and assignments of receivables.

The Group's indebtedness mix is then mainly linked to medium/long-term fixed interest rates.

The breakdown of financial instruments of the Group exposed to interest rate risks are those listed in note 14 (to which reference is made) such as Loans (other than the Proceeds Loan), as well as financial statement items recorded under *Cash and cash equivalents*, *Receivables and other current financial assets* (note 10) and *Non-current financial assets* (note 7).

Interest rate sensitivity analysis

The structure of the consolidated debt is affected, to a marginal extent, by the changes in market rates, as it is mainly based on forms of financing subject to the payment of interest calculated on the basis of fixed rates, as described above. For the remaining amount, the Group makes recourse to variable rate loans, which are linked to the EURIBOR performance.

The table below shows the sensitivity of pre-tax profit for the year to reasonably possible variations in interest rates, all the other variables being kept constant.

	Increase / Decrease	Effect of the profit (loss), gross of taxes
Financial year ended 31 December 2017	+ 150 bps	(1,260)
	- 30 bps	252
Financial year ended 31 December 2016	+ 150 bps	(896)
	- 30 bps	179

2018 will see the completion of the merger of CMF S.p.A. by incorporation into its subsidiary MFM S.p.A., while paying off the Proceeds Loan and acquiring the bond issue directly in MFM S.p.A. (with related obligations and guarantees already described in note 31 above).

The Senior Secured Notes will entail the payment of interest on the coupons equal to € 32,400 thousand on an annual basis (at a fixed rate of 9.0% p.a.).

Exchange rate risk

The Group operates predominantly in the national market, where it is not exposed to exchange rate risks.

Capital management

The key objective of the Group's capital management is to guarantee that a solid credit rating is maintained as well as adequate capital ratios to support operations and to maximise value for shareholders.

The Group manages the capital structure and amends it on the basis of changes in economic conditions. In order to maintain or adjust the capital structure, the Group can adjust the dividends paid to shareholders, repay principal or issue new shares.

The Group checks its debt ratio, by assessing the ratio of net debt to the total of own equity and net debt: interest-bearing loans, trade payables, other payables and provisions for employee severance indemnity net of cash and cash equivalents.

	31 December 2017	31 December 2016
Employee termination indemnity	15,519	17,043
Non-current loans	175,281	305,482
Trade payables and advances from customers	393,022	346,308
Other current liabilities	93,415	85,909
Loans and other current financial liabilities	43,165	52,839
Cash and cash equivalents	(59,870)	(174,992)
Other current financial assets	(1,870)	(2,387)
Total Net Debt	**658,662**	**630,202**
Group shareholders' equity	298,401	323,137
Undistributed net profit (loss)	(642)	(33,649)
Total Capital	**297,759**	**289,488**
EQUITY AND NET DEBT	**956,421**	**919,690**
Indebtedness ratio	**68.9%**	**68.5%**

The debt ratio substantially remained stable compared to the previous year since, against an increase of € 8.3 million in the capital as a result of the allocation of a portion of the profit accrued for the 2017 financial year to reserves, there was an increase in net debt for € 28.5 million.

34. SUBSEQUENT EVENTS

Approval of the plan for the merger of CMF S.p.A. by incorporation into MFM S.p.A.

On 19 March 2018 the Board of Directors of the Parent Company Manutencoop Facility Management S.p.A. presented the plan for the merger of the controlling company CMF S.p.A. by incorporation into its subsidiary MFM S.p.A.. The Merger will be then completed pursuant to Article 2501-*bis* of the Italian Civil Code, since CMF S.p.A. has raised a debt to acquire the total control over MFM S.p.A. and the equity of MFM S.p.A., being acquired, constitutes a general guarantee and the source of repayment of this debt.

The merger plan provides for statutory, accounting and tax effects of the merger running from 1 July 2018.

Acquisition and disposal of shareholdings

On 28 February 2018 the subsidiary Manutencoop International FM S.r.l. acquired a stake of 1% of the share capital of EOS Hijyen Tesis Hizmetleri Saglik Insaat Servis Muhendislik A.S. ("EOS"), based in Ankara (Turkey) at a price equal to € 2 million. The share capital of EOS was already held by Servizi Ospedalieri S.p.A. at a percentage of 50%, which was transferred to Manutencoop International S.r.l. at the same time. Following the acquisition, the stake held in EOS rose up to 51% and, pursuant to IFRS 3 and IFRS 10, the Group acquired control over the Turkish company.

On 15 January 2018 the subsidiary Manutencoop International FM S.r.l. transferred a stake of 30% of the capital of Manutencoop France S.a.r.l. at a price of € 30 thousand to TMS Servizi Integrati S.r.l.. Following this transfer, the Group's percentage of ownership of Manutencoop France S.a.r.l. amounted to 70%.

Zola Predosa, 19 March 2018

Chairman and CEO
Giuliano Di Bernardo

Annex I

Group companies

Parent company		
Name	**Registered Office**	**City**
Manutencoop Facility Management S.p.A.	Via Poli n. 4	Zola Predosa (BO)

Subsidiaries consolidated on a line-by-line basis				
Name	**Registered Office**	**City**	**% held**	**Type**
Alessandria Project Value S.r.l.	Via Poli 4	Zola Predosa (BO)	100%	Subsidiary
CO.GE.F. Soc. Cons. a r.l	Via Poli 4	Zola Predosa (BO)	80%	Subsidiary
Consorzio Igiene Ospedaliera So1c. Cons. a r.l	Via Poli 4	Zola Predosa (BO)	66.66%	Subsidiary
Consorzio Servizi Toscana Soc. Cons. a r.l	Via Poli 4	Zola Predosa (BO)	60%	Subsidiary
Evimed S.r.l.	Via Zamenhof 363	Vicenza	90%	Subsidiary
e-Digital Services S.r.l.	Via Poli 4	Zola Predosa (BO)	100%	Subsidiary
Elene Project S.r.l.	Via Poli 4	Zola Predosa (BO)	62%	Subsidiary
Ferraria Soc. cons. a r.l.	Via Poli 4	Zola Predosa (BO)	69%	Subsidiary
Global Oltremare Soc.Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	60%	Subsidiary
H2H Facility Solutions S.p.A.	Via Poli 4	Zola Predosa (BO)	100%	Subsidiary
ISOM Lavori Soc.Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	62.71%	Subsidiary
ISOM Gestione Soc.Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	52.97%	Subsidiary
KANARIND Soc.Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	62.43%	Subsidiary
Leonardo S.r.l.	Via Zamenhof 363	Vicenza	100%	Subsidiary
Logistica Sud Est Soc.Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	60%	Subsidiary
Manutencoop France S.a.r.l.	4 place Louis Armand-Tour de l'Horloge	Paris	100%	Subsidiary
Manutencoop International FM S.r.l.	Via Poli 4	Zola Predosa (BO)	100%	Subsidiary
Manutencoop International Services LLC	Qatar Tower, building 35, street 920, zone 63	Doha (Qatar)	49%	Subsidiary
Manutencoop Transport S.a.S.	4 place Louis Armand-Tour de l'Horloge	Paris	100%	Subsidiary
MCF servizi Integrati Soc.Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	60%	Subsidiary
MFM Capital S.r.l.	Via Poli 4	Zola Predosa (BO)	100%	Subsidiary
MSE Soc. Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	100%	Subsidiary
Palmanova Servizi Energetici Soc.Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	60%	Subsidiary
Protec S.r.l.	Via Zamenhof 363	Vicenza	100%	Subsidiary
S.AN.CO S.c.a.r.l.	Via A. Saffi, 51	Bologna	100%	Subsidiary
S.AN.GE S.c.a.r.l.	Viale Sarca 336 – Strada Privata Breda – Edificio 12	Milan	89%	Subsidiary
San Gerardo Servizi Soc.Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	60%	Subsidiary

Subsidiaries consolidated on a line-by-line basis

Name	Registered Office	City	% held	Type
Servizi Brindisi Soc.Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	52%	Subsidiary
Servizi Ospedalieri S.p.A.	Via Calvino 33	Ferrara	100%	Subsidiary
Servizi Sanitari Sicilia Soc.Cons. a r.l.	Via Calvino 33	Ferrara	70%	Subsidiary
Servizi Taranto Soc.Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	60.08%	Subsidiary
Sicura S.p.A.	Via Zamenhof 363	Vicenza	100%	Subsidiary
Telepost S.p.A.	Via Poli 4	Zola Predosa (BO)	100%	Subsidiary
Yougenio S.r.l.	Via Poli 4	Zola Predosa (BO)	100%	Subsidiary

Joint ventures accounted for under the equity method

Name	Registered Office	City	% held	Type
AMG S.r.l.	SS Laghi di Avigliana 48/a	frazione Roata Raffo Busca (CN)	50%	Joint Venture
Cardarelli Soc.cons.r.l.	S.S. Appia 7 bis Km. 11,900 Zona A.s.i. Aversa Nord	Carinaro (CE)	60%	Joint Venture
CO. & MA. Soc. Cons. a r.l.	Via del Parco n. 16	Tremestieri Etneo (CT)	50%	Joint Venture
DUC Gestione Sede Unica Soc.cons.r.l.	Via Poli 4	Zola Predosa (BO)	49%	Joint Venture
EOS Hijyen Tesis Hizmetleri Saglik Insaat Servis Muhendislik A.S.	Üniversiteler Mahallesi, Bilkent Plaza, A3 Blok, n. 4	Çankaya/ Ankara	50%	Joint Venture
Legnago 2001 Soc.cons.r.l.	Via Poli 4	Zola Predosa (BO)	50%	Joint Venture
Servizi Sportivi Brindisi Soc.cons.r.l.	Via Licio Giorgieri 93	Rome	50%	Joint Venture

Associates and other companies accounted for under the equity method

Name	Registered Office	City	% held	Type
Alisei S.r.l. in liquidation	Via Cesari 68/1	Modena	100%	In liquidation
Bologna Gestione Patrimonio Soc.Cons. r.l. in liquidation	Via della Cooperazione 9	Bologna	27.58%	In liquidation
BGP2 Soc.Cons. r.l.	Via Giovanni Papini n. 18	Bologna	41.17%	Associate
Bologna Global Strade Soc.Cons. r.l.	Via Zanardi n372	Bologna	51%	Associate
Bologna Multiservizi Soc.Cons. r.l.	Via Del Lavoro 23/4	Casalecchio di Reno (BO)	39%	Associate
Bologna Più' Soc.Cons.r.l in liquidation	Via M.E. Lepido 182/2	Bologna	25.68%	In liquidation
Centro Europa Ricerche S.r.l.	Via G. Zanardelli n. 34	Rome	21.38%	Associate
Consorzio Imolese Pulizie Soc. Cons. a r.l in liquidation	Via Poiano 22	Imola (BO)	60%	In liquidation
Como Energia Soc.Cons. r.l.	Via Pietro Strazzi 2	Como	30%	Associate
Consorzio Polo Sterilizzazione Integrata a r.l.	Via Facciolati 84	Padova	60%	Associate
Consorzio Sermagest Soc.Cons. a r.l. in liquidation	Via Filippo Corridoni 23	Rome	60%	In liquidation
F.lli Bernard S.r.l.	Stradella Aquedotto 21	Bari	20%	Associate
Gico System S.r.l.	Via Finelli 8	Calderara di Reno (BO)	20%	Associate

Associates and other companies accounted for under the equity method				
Name	**Registered Office**	**City**	**% held**	**Type**
Global Provincia Di Rimini Soc.Cons. r.l. in liquidation	Via Poli 4	Zola Predosa (BO)	42.40%	In liquidation
Global Riviera Soc.Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	30.66%	Associate
Global Vicenza Soc.Cons. a r.l.	Via Grandi 39	Concordia Sulla Secchia (MO)	41.25%	Associate
Gymnasium Soc.Cons. r.l. in liquidation	Via Poli 4	Zola Predosa (BO)	68%	In liquidation
GRID Modena S.r.l.	Via Divisione Acqui, 129	Modena (MO)	23%	Associate
Iniziative Produttive Piemontesi S.r.l.	Corso Einaudi 18	Turin	24.75%	Associate
Livia Soc.Cons. a r.l. in liquidation	Via Roma 57/B	Zola Predosa (BO)	34.10%	In liquidation
Logistica Ospedaliera Soc. Cons. a r.l	Via C. Alberto Dalla Chiesa 23/I	Caltanissetta (CL)	45%	Associate
Newco Duc Bologna S.p.A.	Via M.E. Lepido 182/2	Bologna	24.90%	Associate
Palazzo della Fonte S.c.p.a.	Via Calamandrei, 255	Arezzo (AR)	33.30%	Associate
Progetto ISOM S.p.A.	Via Poli 4	Zola Predosa (BO)	36.98%	Associate
Roma Multiservizi S.p.A.	Via Tiburtina 1072	Roma	45.47%	Associate
San Martino 2000 Soc.Cons. a r.l.	Via al Molo Vecchio	Calata Gadda (GE)	40%	Associate
Savia Soc.Cons. a r.l.	Via B. Vanzetti 1	Forlì (FC)	49.11%	Associate
S.E.I. Energia Soc. Cons. a r.l.	Via Emilia 65	Palermo (PA)	49%	Associate
Serena S.r.l. in liquidation	Via Poli 4	Zola Predosa (BO)	50%	In liquidation
Se.Ste.Ro S.r.l.	Via San Pietro 59/B	fraz. Castellina— Soragna (PR)	25%	Associate
Servizi Napoli 5 Soc.Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	45%	Associate
Servizi Sanitari Treviso Soc.Cons.a r.l.	Via al Molo Vecchio	Calata Gadda (GE)	40%	Associate
Sesamo S.p.A.	Via C. Pisacane 2	Carpi (MO)	20.91%	Associate
Simagest 2 Soc. Cons. a r.l in liquidation	Via Poli 4	Zola Predosa (BO)	90%	In liquidation
Simagest 3 Soc. Cons. a r.l in liquidation	Via Poli 4	Zola Predosa (BO)	89.99%	In liquidation
Synchron Nuovo San Gerardo S.p.A.	Via Poli 4	Zola Predosa (BO)	35.82%	Associate
Società Consortile Adanti Manutencoop a r.l. in liquidation	Via Poli 4	Zola Predosa (BO)	50%	In liquidation
Steril Piemonte Soc.Cons. r.l.	Corso Einaudi 18	Turin	25%	Associate
T&M Protection Resources Holdings Italy S.p.A.	Via Poli 4	Zola Predosa (BO)	40%	Associate
Tower Soc.Cons. a r.l. in liquidation	Via Zanardi 372	Bologna	20.17%	Associate

Annex II

Valuation of investments using the Equity Method

	%	Net Book Value Dec 31, 16	Changes of the year: Additions/ Disposals	Dividends	Share of net profit/ Write-downs	Provision	Reserves	Net Book Value Dec 31, 17	Book Value	Provision
Alisei S.r.l. in liquidation	100%	(72)				(8)		(80)		(80)
A.M.G. S.r.l.	50%	2,339		(62)	119			2,396	2,396	
BGP2 Soc.Cons. r.l.	41.17%	0	4					4	4	
Bologna Gestione Patrimonio Soc. Cons. a. r.l. in liquidation	27.58%	6						6	6	
Bologna Global Strade Soc. Cons. a. r.l.	51%	51						51	51	
Bologna Multiservizi Soc. Cons. a r.l.	39%	4						4	4	
Bologna Più Soc. Cons. a r.l.	25.68%	5						5	5	
Cardarelli Soc. Cons. a r.l.	60%	5						5	5	
Centro Europa Ricerche S.r.l.	21.38%	69						69	69	
Co. & Ma. Soc. Cons. a r.l.	50%	5						5	5	
Como Energia Soc. Cons. a r.l.	30%	11						11	11	
Consorzio Imolese Pulizie Soc. Cons. a r.l in liquidation	60%	6						6	6	
Consorzio Polo sterilizzazione Integrata	60%	1						1	1	
Consorzio Sermagest in liquidation	60%	0						0	0	
DUC Gestioni Soc.Cons. a r.l.	49%	10						10	10	
EOS Hijyen Tesis Hizmetleri Saglik Insaat Servis Muhendislik A.S.	50%	229			119			348	348	
F.lli Bernard S.r.l.	20%	1,305		(30)	91			1,366	1,366	
GICO Systems S.r.l.	20%	150		(12)	8			146	146	
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	
Gymnasium soc. Cons. A r.l. in liquidation	68%	7						7	7	
GRID Modena S.r.l.	23%	24	(29)		5			0	0	
IPP S.r.l.	25%	389			55			444	444	
Legnago 2001 Soc. Cons. a r.l.	50%	5						5	5	
LIVIA Soc. Cons. a r.l	34.10%	3						3	3	
Logistica Ospedaliera Soc. Cons. a r.l	45%	5						5	5	
Newco DUC Bologna S.p.A.	24.90%	425			110		379	914	914	
Palazzo della Fonte S.c.p.a.	33.30%	8,000						8,000	8,000	
Progetto ISOM S.p.A.	36.98%	1,385			642		(160)	1,867	1,867	
ROMA Multiservizi S.p.A.	45.47%	8,063		(1,291)	(3,639)		9	3,141	3,141	
San Martino 2000 Soc.Cons. a r.l.	40%	4						4	4	

			Changes of the year							
	%	Net Book Value Dec 31, 16	Additions/ Disposals	Dividends	Share of net profit/ Write-downs	Provision	Reserves	Net Book Value Dec 31, 17	Book Value	Provision
Savia soc.cons.a.r.l.	49.11%	5						5	5	
S.E.I. Energia Soc. Cons. a r.l.	49%	0	5					5	5	
Società Consortile Adanti Manutencoop a r.l. in liquidation	50%	10						10	10	
SE.SA.MO. S.p.A.	20.91%	2,005		(269)	210		(439)	1,507	1,507	
Se.Ste.Ro S.r.l.	25%	123			(9)			114	114	
Serena S.r.l.	50%	9						9	9	
Servizi Napoli 5 Soc. Cons. a r.l.	45%	5						5	5	
Servizi Sanitari Treviso (SE.SA.TRE)	40%	8						8	8	
Servizi Sportivi Brindisi Soc. Cons. a r.l.	50%	5						5	5	
Simagest 2 Soc.Cons.a r.l. in liquidation	90%	45						45	45	
Simagest 3 Soc.Cons.a r.l. in liquidation	89.99%	45						45	45	
Synchron Nuovo San Gerardo S.p.A.	35.82%	4,731			345			5,076	5,076	
Steril Piemonte Soc. Cons. a r.l.	25%	1,000			0			1,000	1,000	
T&M Protection Resources Holdings Italy S.p.A.	40%		600					600	600	
Tower Soc.Cons. a r.l.	20.17%	20						20	20	
NET BOOK VALUE		**30,462**	**580**	**(1,664)**	**(1,945)**	**(8)**	**(211)**	**27,214**	**27,294**	**(80)**

Annex III

Related party transactions

		Parent companies								
		Revenues	Costs	Financial income	Financial expenses		Trade receivables	Financial assets and other	Trade payables	Financial liabilities and other
CMF S.p.A.	31-dec-16					31-dec-16				
	31-dec-17		2,152		6,432	31-dec-17			10,759	168,562
Manutencoop Società Cooperativa	31-dec-16	153	32,278		498	31-dec-16	60	2,659	4,770	1,771
	31-dec-17	137	31,355		162	31-dec-17	100	8,004	12,450	267

		Associates and Joint-ventures								
		Revenues	Costs	Financial income	Financial expenses		Trade receivables	Financial assets and other	Trade payables	Financial liabilities and other
Alisei s.r.l. in liquidation	31-dec-16					31-dec-16	3			1
	31-dec-17					31-dec-17	3			1
AMG S.r.l.	31-dec-16		234	1		31-dec-16	1		117	
	31-dec-17		274			31-dec-17			162	
BGP2 Soc.Cons. r.l.	31-dec-16					31-dec-16			50	
	31-dec-17		39			31-dec-17			89	
Bologna Gestione Patrimonio Soc.Cons. a r.l. in liquidation	31-dec-16					31-dec-16				
	31-dec-17	452	409			31-dec-17	452		411	
Bologna Multiservizi Soc.Cons. a r.l.	31-dec-16	63	247			31-dec-16	276		1,491	
	31-dec-17	37				31-dec-17	54		606	
Bologna Più Soc.Cons.a r.l. in liquidation	31-dec-16					31-dec-16	(2)	3	3	
	31-dec-17					31-dec-17		3	3	2
Bologna Global Strade Soc. Cons. a r.l	31-dec-16	2,674	4,788			31-dec-16	572	336	1,395	
	31-dec-17	2,524	5,376			31-dec-17	1,943	336	3,926	
Cardarelli Soc. Cons. a r.l.	31-dec-16		1,547			31-dec-16			793	
	31-dec-17		661			31-dec-17			342	
Centro Europa Ricerche S.r.l.	31-dec-16	8				31-dec-16				
	31-dec-17					31-dec-17				
Como Energia Soc.Cons.a r.l.	31-dec-16		932			31-dec-16			1,461	
	31-dec-17		261			31-dec-17			999	
Consorzio Imolese Pulizie soc.Cons. in liquidation	31-dec-16					31-dec-16		36	12	
	31-dec-17					31-dec-17		36	12	
Consorzio Polo Sterilizzazione Integrata a r.l.	31-dec-16					31-dec-16				
	31-dec-17					31-dec-17				
Consorzio Sermagest Soc.Cons.a r.l in liquidation	31-dec-16					31-dec-16				
	31-dec-17					31-dec-17				
CO.& MA. Soc. Cons. a r.l	31-dec-16	360	1,383			31-dec-16		20	1,007	
	31-dec-17	360	1,281			31-dec-17	120	20	709	
DUC Gestione Sede Unica Soc. Cons. a r.l.	31-dec-16	6,716	2,987			31-dec-16	3,403		437	
	31-dec-17	7,058	3,090			31-dec-17	3,464		1,042	
EOS Hijyen Tesis Hizmetleri Saglik Insaat Servis Muhendislik A.S.	31-dec-16	215	11			31-dec-16	496	1,75	(20)	256
	31-dec-17	38				31-dec-17	480	882	(27)	260
Fr.lli Bernard s.r.l.	31-dec-16	12				31-dec-16	70	50		
	31-dec-17	12	71			31-dec-17	45	50	56	
Gico Systems S.r.l.	31-dec-16	14	646			31-dec-16	49		380	
	31-dec-17	10	713			31-dec-17	7		532	
Global Provincia di RN Soc.Cons.a r.l. in liquidation	31-dec-16					31-dec-16		70	13	
	31-dec-17					31-dec-17		70	13	

		Associates and Joint-ventures							
		Revenues	Costs	Financial income	Financial expenses		Trade receivables	Financial assets and other	Trade payables	Financial liabilities and other
Global Riviera Soc.Cons.a r.l.	31-dec-16		52			31-dec-16	55		(53)	
	31-dec-17		12			31-dec-17			(41)	
Global Vicenza Soc.Cons. a r.l.	31-dec-16	103	866			31-dec-16	144	748	594	
	31-dec-17		9			31-dec-17		570	467	
Grid Modena S.r.l.	31-dec-16					31-dec-16				
	31-dec-17					31-dec-17				
Gymnasium Soc. cons. a r.l in liquidation	31-dec-16					31-dec-16	1	8	33	5
	31-dec-17					31-dec-17	1	8	33	5
IPP S.r.l.	31-dec-16	361	199			31-dec-16	177	60	96	
	31-dec-17	233	19			31-dec-17	125	59		
Legnago 2001 Soc. Cons. r.l.	31-dec-16		4			31-dec-16	158		41	
	31-dec-17		4			31-dec-17	158		45	
Livia Soc. cons. a r.l.	31-dec-16		8			31-dec-16			8	
	31-dec-17					31-dec-17			8	
Logistica Ospedaliera Soc. Cons. a r.l.	31-dec-16		412			31-dec-16			24	
	31-dec-17		6			31-dec-17			15	
Malaspina Energy Soc. Cons. a r.l.	31-dec-16		15	3		31-dec-16				
	31-dec-17					31-dec-17				
Newco DUC Bologna S.p.A	31-dec-16		7			31-dec-16			33	
	31-dec-17		11			31-dec-17			37	
Palazzo della Fonte S.c.p.a.	31-dec-16	4,009				31-dec-16	804			
	31-dec-17	4,069				31-dec-17	1,367			
Progetto ISOM S.p.A.	31-dec-16	257	78	120		31-dec-16	17,325	1,922	203	
	31-dec-17	302	255	120		31-dec-17	12,203	2,043	474	
Progetto Nuovo Sant'Anna S.r.l.	31-dec-16					31-dec-16				
	31-dec-17					31-dec-17				
Roma Multiservizi S.p.A.	31-dec-16	3,326	1,584			31-dec-16	2,416		980	
	31-dec-17	5,778	1,603			31-dec-17	4,248		725	
San Martino 2000 Soc.Cons. r.l.	31-dec-16	1,610	3,436			31-dec-16	573		423	
	31-dec-17	1,530	3,235			31-dec-17	163		633	
Savia Soc. Cons. a r.l	31-dec-16		1			31-dec-16			314	
	31-dec-17		16			31-dec-17			44	
Serena S.r.l. - in liquidation	31-dec-16					31-dec-16		3		
	31-dec-17					31-dec-17		3		
Servizi l'Aquila Soc.Cons. a r.l. in liquidation	31-dec-16					31-dec-16				
	31-dec-17					31-dec-17				
Servizi Napoli 5 Soc.Cons. a r.l.	31-dec-16	1,414	1,318			31-dec-16	1,944		1,311	
	31-dec-17	1,409	1,315			31-dec-17	2,057		1,310	
Se.Sa.Mo. S.p.A.	31-dec-16	5,182		25		31-dec-16	1,486	618	6	
	31-dec-17	5,103		26		31-dec-17	1,451	607	7	
SESATRE S.cons. a r.l.	31-dec-16	16	4,419	9		31-dec-16	4	524	1,687	
	31-dec-17	14	4,298	3		31-dec-17	3	3	1,352	
Se.Ste.Ro S.r.l.	31-dec-16					31-dec-16	46		815	
	31-dec-17					31-dec-17				
S.I.MA.GEST2 Soc. Cons. r.l. in liquidation	31-dec-16					31-dec-16		75	13	2
	31-dec-17					31-dec-17		75	13	2
S.I.MA.GEST3 Soc. Cons. r.l in liquidation	31-dec-16					31-dec-16			3	
	31-dec-17					31-dec-17				
Società Consortile Adanti Manutencoop in liquidation	31-dec-16	25	52			31-dec-16	37		63	
	31-dec-17					31-dec-17			53	
Steril Piemonte Soc. cons. a.r.l	31-dec-16		696	1		31-dec-16	7	576	267	
	31-dec-17		675	1		31-dec-17	7	326	474	
Synchron Nuovo San Gerardo S.p.A.	31-dec-16	5,246	433	173		31-dec-16	10,173	2,333	658	
	31-dec-17	6,055	397	187		31-dec-17	7,153	2,520	719	
Tower Soc.Cons. a r.l. in liquidation	31-dec-16					31-dec-16	33	17	(11)	
	31-dec-17					31-dec-17	33	29		

		Subsidiaries of Manutencoop Societa' Cooperativa							
		Revenues	Costs	Financial income	Financial expenses		Trade receivables	Financial assets and other	Trade payables	Financial liabilities and other
Cerpac S.r.l. in liquidation	31-dec-16					31-dec-16	1			
	31-dec-17					31-dec-17	1			
Manutencoop Immobiliare S.p.A.	31-dec-16	10	2,382			31-dec-16	6		(47)	
	31-dec-17	10	1,049			31-dec-17	3	173		
Nugareto Società Agricola Vinicola S.r.l.	31-dec-16	7	43			31-dec-16	16		42	
	31-dec-17	18	27			31-dec-17	10		20	
Sacoa S.r.l.	31-dec-16	81	19			31-dec-16	58		8	
	31-dec-17	88	19			31-dec-17	97		42	
Segesta servizi per l'Ambiente S.r.l.	31-dec-16	17				31-dec-16	17			
	31-dec-17	8				31-dec-17	1			
MPH S.p.A.	31-dec-16					31-dec-16				
	31-dec-17					31-dec-17				

		Associates of Manutencoop Societa' Cooperativa or Other related parties							
		Revenues	Costs	Financial income	Financial expenses		Trade receivables	Financial assets and other	Trade payables	Financial liabilities and other
Consorzio Karabak Società Cooperativa	31-dec-16	123	1			31-dic-16	23		1	
	31-dec-17	68	1			31-dic-17	30		1	
Consorzio Karabak 2 Società Cooperativa	31-dec-16	80	1			31-dic-16			1	
	31-dec-17	4	1			31-dic-17				
Consorzio Karabak 4 Società Cooperativa	31-dec-16					31-dic-16			1	
	31-dec-17		2			31-dic-17			1	
Consorzio Karabak 5 Società Cooperativa	31-dec-16					31-dic-16				
	31-dec-17					31-dic-17				
Consorzio Karabak 6 Società Cooperativa	31-dec-16					31-dic-16				
	31-dec-17					31-dic-17				

		Revenues	Costs	Financial income	Financial expenses		Trade receivables	Financial assets and other	Trade payables	Financial liabilities and other
TOTAL	**31-dec-16**	32,082	61,084	332	498	31-dec-16	40,432	11,233	19,423	2,035
	31-dec-17	35,317	58,636	337	6,594	31-dec-17	35,778	15,820	38,519	169,099

Annex IV

Statement of reconciliation of the reclassified statement of cash flows and the statutory schedules items

	For the year ended 31 December			
		2017		2016
CASH AND CASH EQUIVALENTS AT THE beginning OF THE year		**174,992**		**114,.391**
CASH FLOW FROM CURRENT OPERATIONS:		**34,784**		**64,778**
Profit before taxes for the year	16,725		47,219	
Profit (loss) from discontinued operations	0		1,052	
Capital gain on disposal of discontinued operations	0		(1,409)	
Amortization, depreciation, write-downs and (write-backs) of assets	30,280		32,713	
Accrual (reversal) of provisions for risks and charges	143		(10,107)	
Employee termination indemnity provision	935		889	
Share of net profit of associates, net of dividends collected	3,610		(1,688)	
Financial charges (income)	39,689		28,257	
Net interest received (paid)	(43,495)		(26,471)	
Income tax paid	(17,231)		5,299	
Reclassifications:				
Non-cash net financial charges accounted for under the Statement of profit or loss	4,128		(1,506)	
Cash flow relating to the assignment of receivables without recourse for taxes under tax consolidation regime, included in changes in other operating assets	0		(9,470)	
USES OF PROVISIONS FOR RISKS AND CHARGES		**(8,705)**		**(10,175)**
AND payments OF THE EMPLOYEE TERMINATION INDEMNITY:				
Payments of Employee termination indemnity	(2,453)		(2,672)	
Utilization of provisions	(6,252)		(7,503)	
CHANGE IN NWOC:		**69,170**		**24,677**
Decrease (increase) of inventories	(1,675)		381	
Decrease (increase) of trade receivables	24,131		58,124	
Increase (decrease) of trade payables and advances from customers	38,582		(33,828)	
Reclassifications:				
Additional charges relating to new loans accounted for according to the amortised cost method	8,132		0	
INDUSTRIAL AND FINANCIAL Capex:		**(32,882)**		**(25,247)**
(Purchase of intangible assets, net of sales)	(6,501)		(6,857)	
(Purchase of property, plant and equipment)	(25,048)		(23,677)	
Proceeds from sales of property, plant and equipment	498		835	
(Acquisition of investments)	(1,487)		(505)	
Decrease (increase) of financial assets	(27)		(490)	
Net cash from assets held for sale	1,060		9,274	
Reclassifications:				
Net change in the balance of short-term financial assets, to be included in the balance of net financial liabilities	(1,470)		(3,412)	
Payables for acquisition of equity investments and business combinations	93		(415)	

	For the year ended 31 December			
		2017		2016
CHANGE IN NET FINANCIAL LIABILITIES:		**(139,357)**		**943**
Change in finance lease debt	2,708		(570)	
Acquisition of non-current borrowings	195,300		0	
Repayment of non-current borrowings	(324,310)		0	
Proceeds from/(repayment of) short term bank debt	(5,857)		(22,207)	
Other changes in financial debt	3,863		18,386	
Reclassifications:				
Non-cash net financial charges accounted for under the Statement of Profit or Loss	(4,128)		1,508	
Net change in the balance of short-term financial assets, to be included in the balance of net financial liabilities	1,470		3,411	
Additional charges relating to new loans accounted for according to the amortised cost method	(8,132)		0	
Payables for acquisition of equity investments and business combinations	(93)		415	
OTHER CHANGES:		**(38,132)**		**5,625**
Decrease (increase) of other current assets	(5,902)		4,804	
Increase (decrease) of other current liabilities	(7,212)		(8,621)	
Dividends paid	(25,111)		(25)	
Change in scope of consolidation	93		(4)	
Reclassifications:				
Cash flow relating to the assignment of receivables without recourse for taxes under tax consolidation regime, included in changes in other operating assets	0		9,471	
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**59,870**		**174,992**

Manutencoop Facility Management S.p.A.

Consolidated financial statements as at December 31, 2017

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 (Translation from the original Italian text)

To the Sole Shareholder of
Manutencoop Facility Management S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Manutencoop Facility Management Group (the Group), which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in shareholders' equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of Manutencoop Facility Management S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Parent Company Manutencoop Facility Management S.p.A. or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and

to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010[1]

The Directors of Manutencoop Facility Management S.p.A. are responsible for the preparation of the Report on Operations of Manutencoop Facility Management Group as at December, 31 2017,

[1] The Report on Operations is not included in this Offering Memorandum

including its consistency with the related consolidated financial statements and its compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations, with the consolidated financial statements of Manutencoop Facility Management Group as at December 31, 2017 and on its compliance with the applicable laws and regulations, and in order to assess whether it contains material misstatements.

In our opinion, the Report on Operations is consistent with the consolidated financial statements of Manutencoop Facility Management Group as at December 31, 2107 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Bologna, April 4, 2018

EY S.p.A.
Signed by: Alberto Rosa, partner

This report has been translated into the English language solely for the convenience of international readers.

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