SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

## STATEMENT OF FINANCIAL POSITION

| (in Euro) | NOTES | 31 December 2014 | 31 December 2013 |
|---|---|---|---|
| **ASSETS** | | | |
| ***NON-CURRENT ASSETS*** | | | |
| Property, plant and equipment | 4 | 10,932,886 | 13,578,978 |
| Property, plant and equipment under lease | 4 | 252,836 | 360,277 |
| Goodwill | 5-6 | 293,238,288 | 288,649,098 |
| Other intangible assets | 5 | 21,687,706 | 22,977,227 |
| Investments in Subsidiaries, Joint-ventures, Associates | 7 | 145,230,804 | 154,892,627 |
| Other investments | 8 | 2,718,066 | 2,503,642 |
| Non-current financial assets | 9 | 66,963,521 | 59,567,578 |
| Other receivables and non-current assets | 10 | 1,428,729 | 1,274,692 |
| Deferred tax assets | 34 | 18,662,389 | 13,269,611 |
| **TOTAL NON-CURRENT ASSETS** | | **561,115,225** | **557,073,730** |
| ***CURRENT ASSETS*** | | | |
| Inventories | 11 | 1,172,481 | 1,514,317 |
| Trade receivables and advances to suppliers | 12 | 436,043,746 | 521,079,592 |
| Current tax receivables | | 20,938,898 | 9,132,786 |
| Other current assets | 13 | 19,870,027 | 19,418,860 |
| Current financial assets | 14 | 38,129,096 | 96,535,423 |
| Cash and cash equivalents | 15 | 92,641,328 | 149,834,497 |
| **TOTAL CURRENT ASSETS** | | **608,795,577** | **797,515,475** |
| Assets classified as held for sale | | 0 | 660,000 |
| **TOTAL ASSETS CLASSIFIED AS HELD FOR SALE** | | **0** | **660,000** |
| **TOTAL ASSETS** | | **1,169,910,801** | **1,355,249,205** |
| **SHAREHOLDERS' EQUITY AND LIABILITIES** | | | |
| ***SHAREHOLDERS' EQUITY*** | | | |
| Share capital | | 109,149,600 | 109,149,600 |
| Share premium reserve | | 145,018,390 | 145,018,390 |
| Reserves | | 71,450,926 | 66,763,965 |
| Retained earnings | | 3,808,981 | 3,808,981 |
| Profit/(Loss) for the year | | 12,932,435 | 5,349,758 |
| **TOTAL SHAREHOLDERS' EQUITY** | **16** | **342,360,333** | **330,090,695** |
| ***NON-CURRENT LIABILITIES*** | | | |
| Employee termination indemnity | 17 | 12,352,714 | 14,161,860 |
| Long-term provisions for risks and charges | 18 | 7,498,697 | 7,300,954 |
| Long-term debt | 19 | 370,279,645 | 439,992,534 |
| Deferred tax liabilities | 34 | 10,367,315 | 9,502,883 |
| **TOTAL NON-CURRENT LIABILITIES** | | **400,498,371** | **470,958,230** |
| ***CURRENT LIABILITIES*** | | | |
| Short-term provision for risks and charges | 18 | 16,455,026 | 14,571,939 |
| Trade payables and advances from customers | 20 | 267,893,323 | 331,718,400 |
| Other current liabilities | 21 | 98,292,750 | 112,407,243 |
| Bank borrowings, including current portion of long-term debt, and other financial liabilities | 19 | 44,410,999 | 95,502,698 |
| **TOTAL CURRENT LIABILITIES** | | **427,052,098** | **554,200,281** |
| Liabilities attributable to assets classified as held for sale | | | |
| **TOTAL LIABILITIES ATTRIBUTABLE TO ASSETS CLASSIFIED AS HELD FOR SALE** | | | |
| **TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES** | | **1,169,910,801** | **1,355,249,205** |

## STATEMENT OF PROFIT OR LOSS

| *(in Euro)* | | 31 December 2014 | 31 December 2013 |
|---|---|---|---|
| **REVENUES** | | | |
| Revenue from sales and services | 22 | 727,834,212 | 784,587,530 |
| Other revenue | 23 | 3,308,281 | 2,274,484 |
| **TOTAL REVENUE** | | **731,142,493** | **786,862,014** |
| **OPERATING COSTS** | | | |
| Costs of raw materials and consumables | 24 | (104,247,754) | (125,555,533) |
| Costs for services and use of third party assets | 25 | (265,994,514) | (288,086,420) |
| Personnel costs | 26 | (312,570,796) | (302,607,169) |
| Other operating costs | 27 | (5,742,298) | (5,899,852) |
| (Amortization, impairment losses) – write-backs of assets | 28 | (12,037,523) | (24,676,398) |
| (Accrual of provisions for risks and charges) | | (5,783,976) | (6,322,503) |
| **TOTAL OPERATING COSTS** | | **(706,376,861)** | **(753,147,875)** |
| **OPERATING INCOME** | | **24,765,632** | **33,714,139** |
| **FINANCIAL INCOME AND EXPENSES** | | | |
| Dividend and income (loss) from sale of investments | 29 | 12,619,311 | 13,041,638 |
| Financial income | 30 | 13,912,076 | 6,874,656 |
| Financial charges | 31 | (42,512,092) | (30,849,949) |
| Gains / (losses) on exchange rate | | 5,501 | (1,180) |
| **PROFIT (LOSS) BEFORE TAXES** | | **8,790,428** | **22,779,304** |
| Income taxes | 33-34 | (3,443,113) | (17,429,546) |
| **PROFIT (LOSS) FROM CONTINUING OPERATIONS** | | **5,347,315** | **5,349,758** |
| Profit (loss) from discontinued operations | 32 | 7,585,120 | |
| **NET PROFIT (LOSS) FOR THE PERIOD** | | **12,932,435** | **5,349,758** |

## STATEMENT OF OTHER COMPREHENSIVE INCOME (*)

| *(in Euro)* | 31 December 2014 | 31 December 2013 |
|---|---|---|
| **Profit/(Loss) for the year** | **12,932,435** | **5,349,758** |
| Other components of the comprehensive income, which will be subsequently reclassified under profit/loss for the year | | |
| Gain/(loss) on Cash Flow Hedge | 0 | 1,222,067 |
| Income taxes | 0 | (336,068) |
| **Net effect on gains (Losses) of cash flow hedge** | **0** | **885,998** |
| **Total other components of the comprehensive income, which will be subsequently reclassified under profit/loss for the year, net of taxes** | **0** | **885,998** |
| 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 | (914,203) | 504,347 |
| Income taxes | 251,406 | (138,695) |
| **Net effect of actuarial gains/(Losses)** | **(662,797)** | **365,652** |
| **Total other components of the comprehensive income, which will not be subsequently reclassified under profit/loss for the year, net of taxes** | | |
| **Total other components of the comprehensive income, net of taxes** | **(662,797)** | **1,251,650** |
| **TOTAL COMPREHENSIVE INCOME (LOSS), NET OF TAXES** | **12,269,638** | **6,601,409** |

(*) With effect from the financial years beginning on 1st January 2013 or later, the statement of comprehensive income is required to identify and group any items which, upon the occurrence of specific conditions, will be subsequently reclassified to the income statement and, separately, any items which will not be reclassified to the income statement. Accordingly, the MFM Group has recognized, for the first time in 2013, the items of the statement of comprehensive income in the two abovementioned subgroups.

## STATEMENT OF CASH FLOW

| *(In thousands of Euro)* | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Net profit (loss) from continuing operations for the period | 5,347 | 5,350 |
| Income taxes for the year | 3,443 | 17,430 |
| **Profit before taxes** | **8,790** | **22,779** |
| Amortization, depreciation, write-downs and (write-backs) of assets | 12,038 | 24,676 |
| Accrual (reversal) of provisions for risks and charges | 5,784 | 6,323 |
| Employee termination indemnity provision | 448 | 434 |
| Payments of employee termination indemnity | (3,171) | (1,765) |
| Utilization of provisions for risks and charges | (3,703) | (3,321) |
| Financial charges (income) | 28,595 | 23,976 |
| **Cash flow from current operations** | **48,780** | **73,102** |
| Decrease (increase) of inventories | 342 | 710 |
| Decrease (increase) of trade receivables and advances to suppliers | 89,169 | (10,153) |
| Decrease (increase) of other current assets | (605) | (8,398) |
| Increase (decrease) of trade payables and advances from customers | (63,823) | 8,347 |
| Increase (decrease) of other current liabilities | (14,114) | 2,333 |
| **Change in working capital** | **10,968** | **(7,161)** |
| Net interest paid in the year | (17,089) | (23,219) |
| Income tax paid in the year | (19,528) | (15,060) |
| **Net cash flow from operating activities** | **23,131** | **27,663** |
| (Purchase of intangible assets) | (8,920) | (8,630) |
| (Purchase of property, plant and equipment) | (998) | (906) |
| Proceeds from sales of property, plant and equipment | 499 | 14 |
| (Disposal of investments) | 12,460 | 171 |
| Net (Decrease) increase of financial assets | 51,589 | (50,588) |
| Change in goodwill | (4,589) | 0 |
| Net cash used in business combinations | | 414 |
| Net cash used in discontinued operations | 8,245 | (660) |
| **Net cash flow used in investing activities** | **58,287** | **(60,185)** |
| Net proceeds from/(reimburse of) financial liabilities | (138,613) | 152,520 |
| Dividends paid | | |
| Change in share capital and reserves | | |
| **Net cash flow from (used in) financing activities** | **(138,613)** | **152,520** |
| **Changes in cash and cash equivalents** | **(57,193)** | **119,999** |
| Cash and cash equivalents at the beginning of the period | 149,834 | 29,836 |
| Changes in cash and cash equivalents | (57,193) | 119,999 |
| **Cash and cash equivalents at the end of the period** | **92,642** | **149,835** |
| | | |
| **Details of cash and cash equivalents** | | |
| Current bank accounts - assets | 92,641 | 149,834 |
| Current bank accounts - liabilities | | |
| **Total cash and cash equivalents** | **92,641** | **149,834** |

## SUPPLEMENTARY INFORMATION

| *(in thousands of Euro)* | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Interest paid | (24,705) | (29,921) |
| Interest received | 7,617 | 6,702 |
| Dividends received | 11,736 | 13,042 |

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

| *(in thousands of Euro)* | Share capital | Share premium reserve | Reserves | Retained Earnings | Result of the year | Total Shareholders' Equity |
|---|---|---|---|---|---|---|
| **At 31 December 2012** | **109,150** | **145,018** | **39,345** | **3,809** | **26,246** | **323,567** |
| 2012 Allocation profits | 0 | 0 | 26,246 | | (26,246) | 0 |
| Total comprehensive profit/(loss) for the year | 0 | 0 | 1,252 | 0 | 5,350 | 6,602 |
| Other transactions | | | (78) | | | (78) |
| **At 31 December 2013** | **109,150** | **145,018** | **66,764** | **3,809** | **5,350** | **330,091** |
| 2013 Allocation of profits | 0 | 0 | 5,350 | | (5,350) | 0 |
| Total comprehensive profit/(loss) for the year | 0 | 0 | (663) | 0 | 12,932 | 12,269 |
| **At 31 December 2014** | **109,150** | **145,018** | **71,451** | **3,809** | **12,932** | **342,360** |

# EXPLANATORY NOTES

## 1. GENERAL INFORMATION

Manutencoop Facility Management S.p.A. (the Company or MFM) is an Italian joint-stock company with registered office in Via U. Poli no. 4 - Zola Predosa (BO).

On 1 July 2013 new agreements were executed between Manutencoop Società Cooperativa (Parent Company of MFM S.p.A.) and the investment funds that hold minority interests in MFM S.p.A., replacing the previous Investment Agreement signed in December 2008. On the same date the minority shareholders transferred, on a pro-rata basis, 7,671,580 shares of MFM S.p.A. (representing 7.0285% of its share capital) to Manutencoop Società Cooperativa. The shares were transferred with retention of title ("*riserva di proprietà*") pursuant to and for the purposes of article 1523 of the Italian Civil Code: therefore, Manutencoop Cooperativa may only exercise financial and administrative rights over them (including, but not limited to, voting rights at shareholders' meetings). The final transfer of the shares is expected to take place when their contractually agreed price has been paid within 3 years, i.e. on 1 July 2016.

The Company is 71.89% owned by Manutencoop Società Cooperativa, with registered office in Zola Predosa (BO), which exercises management and coordination activities and 28.11% owned by financial partners.

Manutencoop Facility Management S.p.A. drafts its financial statements (separate financial statements based on the definition used by IAS 27) in application of art. 2423 of the Italian Civil Code, as amended by Legislative Decree 127/1991.

Publication of Manutencoop Facility Management S.p.A.'s separate financial statements for the year ended 31 December 2014 was authorized by resolution of the Management Board of 24 March 2015.

The Company also drafts the Consolidated Financial Statements, which are attached hereto, as expressly required by statutory provisions.

### 1.1 The business

Manutencoop Facility Management is active, throughout Italy, in the management and provision of integrated services to public and private customers, targeted at properties and property assets, logistics and organisational support, in order to optimise the management of property-related activities (also known as "Integrated Facility Management").

Therefore, the Company, 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 and public authorities.

The so-called ''traditional'' Facility Management services provided by the Company 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 Company employees.

The second type of activity performed comes in the form of Technical Services, which encompass the management, running and maintenance services of property-related systems (including heating and air conditioning systems, cogeneration systems, electrical systems, water, sanitary, telephone and electronic systems in general) 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 services rendered by the Company is the so-called Landscaping, i.e. a service for the maintenance of green spaces, which include both the planning and implementation of maintenance of properties' green areas, and services for the area.

In order to expand the range of facility management services offered to customers, coupled with the aforementioned facility management services, the Company offers a series of additional, auxiliary services, targeted at property users, including document management, concierge/reception, switchboard and surveillance, porterage and internal relocation, management of computer workstations and other support services.

The Company performs the aforementioned integrated service activities at offices, industrial plants, warehouses, commercial and service industry buildings in general, green areas, car parks, crèches and schools and universities, hotels, sports complexes, barracks and welfare buildings.

## 2. ACCOUNTING STANDARDS AND BASIS OF PRESENTATION

The Separate Financial Statements at 31 December 2014 comprise the Statement of financial position, the Statement of Profit or Loss, the Statement of other Comprehensive Income, Statement of cash flows, Statement of changes in Shareholders' equity, and the related Explanatory Notes.
The Separate Financial Statements were prepared on a historical cost basis, except for the derivative financial instruments that have been measured at fair value.
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 the 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 2014 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 Separate Financial Statements at 31 December 2014 have been prepared in accordance with the International Financial Reporting Standards ("IFRS").

The Company 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 Company has applied the IFRS as adopted by the European Union in the preparation of its 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 separate Financial Statements are consistent with those used to prepare the separate Financial Statements of the previous year.

The Company 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 2014.**

The following accounting standards must be applied starting from 1 January 2014:

- *IFRS 12 – Disclosure of Interests in Other Entities*. The new standard provides a general overview of the information relating to interests in other entities, such as joint arrangements, equity investments in subsidiaries, associates and other interests not falling within the consolidation area. The Company does not apply the IFRS 12 as the required information has been reported in the Group's consolidated financial statements.

There is no obligation to apply accounting standards on new or revised IFRS, with effect from 1 January 2014.

**New or revised IFRS and interpretations applicable from subsequent years and not adopted by the Company in advance.**

The IASB issued a number of new standards and amendments during the 2014 financial year which will come into effect in later periods. The Company is studying these standards and is assessing the impact they will have on its Separate Financial Statements, but does not intend to promote an early adoption. The innovations brought in are described below.

*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 and 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 and 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.

IFRS15 – Revenues from contracts with customers (applicable from the financial years that will end after 1 January 2017). 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.

Some amendments to existing standards have also been issued, clarifying some particular points:

- *Amendments to IFRS11 – Joint Arrangements.* This amendment explains that if an entity acquires an interest in a joint operation which constitutes a form of business, it must apply the accounting standards and disclosure requirements laid down in *IFRS 3, Business Combinations*, and those in all other IFRSs that do not conflict with the provisions of IFRS 11.
- *Amendments to IAS16 and IAS38 – Clarification of Acceptable Methods of Depreciation and Amortisation.* This amendment explains that it is advisable to use methods of amortisation and depreciation of fixed assets that take the actual economic benefit of using them into account. If goods or assets are used in business operations, the ratio between the revenue generated by business and the entity's total revenues is not a correct reflection of the amortisation or depreciation percentage to apply. This ratio may only be used in limited cases for the amortisation of intangible assets.
- *Amendments to IAS27 – Equity Method in Separate Financial Statements.* This amendment explains that since the equity method is used for accounting for investments in subsidiaries and associates in certain countries, the option previously provided for in IAS 27 has been reinstated. Therefore, the investments in the Separate Financial Statements can be valued at cost (IAS27), in accordance with IAS39 or the new IFRS9 or by using the equity method (IAS27 amended). The method adopted must be applied homogeneously for all types of these investments.

### Improvements to IFRS

In 2014 the IASB issued a new series of amendments to IFRS (series 2012-2014, which follows the previous series 2009-2011, 2010-2012 and 2011-2013). The Annual improvement of 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 amendments will be obligatory applicable as from the financial years that will end after 1 January 2016.

The last series of improvements has specifically concerned a change in the sales programmes under *IFRS5 – Non-current Assets Held for Sale and Discontinued Operations, the applicability of IFRS7 – Financial Instruments* in the condensed Interim Financial Statements, the use of discount rates under *IAS19 – Employee Benefits* and the disclosures to be supplemented with respect to *IAS34 – Interim Financial Reporting*.

## 2.3 Discretionary assessments and significant accounting assumptions

The preparation of the Separate Financial Statements requires Management Boards 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 separate 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.

More details are given in the appropriate section.

At 31 December 2014, the carrying amount of the goodwill stood at € 293,239 thousand (31 December 2013: € 288,649 thousand). More details are given in the appropriate section.

*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 Company holds majority interests in a subsidiary subsidiaries in relation to which the minority shareholders hold PUT option, 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 currently 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.

*Other financial position items*

Management also needed to use estimates in determining:

- Deferred tax assets, in particular relating to the likelihood of these being reversed in the future;
- Accruals to bad debt provision and provisions for risks and charges;
- Main assumptions applied to the actuarial valuation of the TFR (employee benefits), such as the future turnover rate and discount financial rates;
- Inventories of contract work in progress, particularly in relation to the total amount of estimated costs to complete used to determine the percentage of completion.

## 2.4 Summary of the main accounting criteria

**Equity investments in joint ventures**

The Company participates in numerous joint ventures classified as companies under joint control. A joint venture is a contractual agreement whereby two or more parties undertake an economic activity subject to joint control; a jointly controlled company is a joint venture that involves the setting up of a separate company in which each participant holds interests.

Joint control is deemed to exist when 50% is held.

**Conversion of foreign currency items**

The financial statements are presented in Euro, the Company'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 financial statement items and average exchange rates for items in the income statement.

**Business combinations**

Business combinations are recorded using the acquisition method. According to this method, the amount transferred in a business combination is measured at fair value, calculated as the sum of the fair values of the assets transferred and the liabilities undertaken by the Company at the acquisition date and the equities issued in exchange for control of the acquired company. Accessory charges involved in the transaction are generally recorded in the income statement when they are incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recorded at fair value on the acquisition date; the following items constitute an exception, and are, by contrast, valued according to their reference principle:

- Deferred tax assets and liabilities;
- Assets and liabilities for employee benefits;
- Liabilities or equities relating to share-based payments of the acquired company or share-based payments relating to the Company issued in replacement of the contracts of the acquired company;
- Assets held for sale and Discontinued Operations.

Goodwill is calculated as the excess between the sum of consideration paid in the business combination, the value of shareholders' equity pertaining to minority interests and the fair value of the equity investment held previously in the acquired company with respect to the fair value of the net assets acquired and liabilities assumed at the acquisition date. If the value of the net assets acquired and liabilities assumed at the acquisition date exceeds the sum of consideration paid, value of shareholders' equity pertaining to minority interests and fair value of the equity investment held previously in the acquired company, this excess is recorded immediately in the income statement as income deriving from the transaction.

Any payments subject to conditions set out in the business combination agreement are measured at fair value at the acquisition date and included in the value of the amounts transferred in the business combination for the purposes of determining its goodwill. Any subsequent changes of such fair value, which is qualified as adjustments that emerged in the measurement period, are included retrospectively in goodwill. Changes in fair value which are qualified as adjustments that emerged in the measurement period are those that derive from more information on events and circumstances that existed at the acquisition date, obtained during the measurement period (which cannot exceed one year from the business combination).

In the event of business combinations taking place in phases, the equity investment held previously by the Company in the acquired company is re-measured at fair value on the date of acquisition of control and any resultant profit or loss is booked in the income statement. Any values deriving from equity investments held previously and recorded under "Other Comprehensive Profits or Losses" are reclassified in the income statement as if the equity investment had been sold.

If the initial values of a business combination are incomplete by the end of the reporting period in which the business combination took place, the Company reports in its financial statements the temporary values of the elements for which the recognition cannot be completed. These temporary values are adjusted in the measurement period to take into account the new information obtained on events and circumstances existing at the acquisition date which, if known, would have had effects on the value of the assets and liabilities recognised at that date.

### Property, plant and equipment

Property, plant and equipment are recorded at historical cost, net of 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 the 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 eliminated 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 income from the sale and the carrying amount) are included in the income statement in the year of the aforementioned elimination.

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 and construction of properties | From 6.5 to 10 years |
| Telephone systems | 4 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 plant and equipment) | < between useful life and lease duration |

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 charges deriving 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 charges ceases when all the activities needed to make the qualifying asset ready for use have been substantially 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 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 fixed asset and the residual duration of lease.

### 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 Company 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 consistency 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 consistency, 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 Company, at which goodwill is monitored for internal management purposes; and
- is not larger than the segments identified on the basis of either the primary or 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 recorded.
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 consistency tests when there is an indication of potential impairment losses. The amortisation 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 Company 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, write-downs and write-backs of assets'. The Company did not record any intangible assets with an indefinite useful life, with the exception of goodwill.

The principles the Company applied for intangible assets are summarised below:

| | **Concessions, licences, trademarks and similar** | **Other intangible assets** |
|---|---|---|
| Useful Life | Definite | Indefinite |
| Method used | Software, Trademarks and Patents | Contractual relations with customers |
| | Amortisation on a straight line basis over the shortest time span between:<br>> legal duration of the right;<br>> expected period of use | Amortisation in proportion to consumption of backlog. |
| | Backlog | |
| | Amortisation in proportion to the contract term | |
| Produced internally or purchased | Purchased | Acquired in business combination. |
| Impairment tests / tests on recoverable value | Yearly or more frequently when there are signs of impairment. | Yearly or more frequently when there are signs of impairment. |

Profits or losses deriving 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 subsidiaries and associates

Subsidiaries are companies over which Manutencoop Facility Management S.p.A. has the independent power to determine the strategic decisions of the company and obtain the associated benefits. Generally speaking, control is said to exist when, directly or indirectly, more than half of the voting rights which can be exercised at the ordinary shareholders' meeting are held, also considering so-called potential votes, i.e. voting rights deriving from convertible instruments.

Associates are companies over which Manutencoop Facility Management S.p.A. exercises a significant influence as regards the determination of the company's strategic decisions, despite not having control, also considering so-called potential votes, i.e. voting rights deriving from convertible instruments; a significant influence is said to exist when Manutencoop Facility Management S.p.A. holds, directly or indirectly, more than 20% of the voting rights which can be exercised at the ordinary shareholders' meeting.

Equity investments in subsidiaries and associates are measured at purchase costs, and reduced in the event of the distribution of capital or capital reserves, or in the presence of impairment losses determined by impairment testing. The cost is written back in subsequent years if the reasons for the write-downs no longer exist.

For all companies, a list of which is supplied in the appropriate notes, the cost criterion was applied in Manutencoop Facility Management S.p.A.'s financial statements.

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.

### Impairment of assets

At the close of each financial year, the Company assesses whether there are any indicators of impairment of assets. In this case, or in the event an annual impairment test is required, the Company 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 sales costs and its value in use is determined for each individual asset, except when said 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, said asset has been impaired and is subsequently written down to its recoverable value. In calculating the value in use, the Company 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 'amortisation, write-downs and write-backs of assets'.

At the close of each financial year, the Company also assesses the existence of indications that the impairment losses recorded previously no longer exist (or have fallen) and, if said indications exist, estimate 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 to 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 recorded 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 recorded, 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 remaining useful life.

**Financial assets**

IAS 39 makes provision for the following types of financial instruments:

- financial assets at fair value with changes booked to the income statement, 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 capital market;
- investments held to maturity, i.e. financial assets that are not derivative instruments and which are characterised by fixed or determinable payments on maturity for which the owner has the intention and capacity to hold them in the portfolio to 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 recorded at fair value, increased, in the event of assets other than those at fair value in the income statement, by accessory charges. Following the initial recognition, the Company determines the classification of its financial assets and, where appropriate and permitted, reviews said classification at the close of each financial year.
The financial assets held by the Company in the year just ended, equal to those held in the previous year, relate exclusively to the two categories 'loans and receivables' and 'available-for-sale financial assets'.
The valuation criteria applied by the Company are the following:

**Loans and receivables**

Loans and receivables are recorded according to the amortised cost criterion using the effective discount rate method. Profits and losses are booked to the income statement when the loans and receivables are eliminated for accounting purposes or when impairment losses occur, plus through the amortisation process.

**Available-for-sale financial assets**

Available-for-sale financial assets, following initial recognition at cost, must be valued at fair value and profits and losses must be recorded in a separate shareholders' equity item until the assets are eliminated for accounting purposes 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 Company 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 capital markets and whose objective is to regulate relations as part of temporary associations of companies 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 (replacement cost).

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

| | |
|---|---|
| *Raw materials (excluding fuel)* | **Purchase cost based on the average weighted 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 recorded at nominal value, stated in the invoice net of the bad debt provision. This allocation is made in the presence of objective evidence that the Company 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 purchaser, who defines its design and technical features on a preliminary basis.

Job order revenues include the considerations initially agreed with the purchaser, plus 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 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. When the costs of the job order are likely to exceed total revenues, the expected loss is recorded immediately as cost.

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 financial statement 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 recorded at the fair value of the consideration received net of accessory charges involved in acquiring 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, plus through the amortisation process.

### Elimination of financial assets and liabilities

*Financial assets*

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

- the contractual rights over cash flows deriving from financial assets have expired;
- the Company 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 completely eliminated, but the result is that the Group obtains a new financial asset or assumes a new financial liability, the Company records the new financial asset, financial liability or liability originating from service at fair value.

*Financial liabilities*

A financial liability is derecognised from the financial statements when the obligation underlying the liability is extinguished, 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 end of each financial year, the Company 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 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 booked to the income statement.

The Company firstly assesses the existence of 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 objective evidence of impairment of a financial asset 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 recorded or continues to be recorded, 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 booked to the income statement 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 unquoted equity instrument which is not recognised at fair value since its fair value cannot be reliably measured, or of a derivative instrument which is linked to said equity 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 equities classified as available for sale are not recognised in the income statement. Write-backs of debt instruments are recognised in the income statement 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.

**Non-current financial liabilities, Other non-current liabilities, Trade payables, Current financial liabilities and Other liabilities**

Non-current financial liabilities, Other non-current liabilities, Trade payables, Current financial liabilities and Other liabilities are initially recorded at fair value in the financial statements (normally represented by the cost of the transaction), including the transaction's accessory costs.
Subsequently, with the exception of derivative financial instruments and liabilities for financial guarantee contracts, financial liabilities are stated at amortised cost using the effective interest rate method.

**Provisions for risks and charges**

Allocations to provisions for risks and charges are made when the Company 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 reliably estimated.
When the Company believes that an allocation 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 recorded separately under assets only if it is virtually certain. In said case, the cost is stated in the income statement of the associated allocation net of the amount recorded for the compensation.
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 charge.

*Provision for employee termination benefits*

Liabilities in the form of employee termination benefits are only recorded when the Company 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 redundancy. The Company is demonstrably committed to a termination 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 reflected 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 end 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, 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 booked directly to the income statement, as a cost, when recognised. ESI accrued up until 31.12.2006 remains a defined benefit plan, without future contributions.

The Company records actuarial gains or losses in the accounts deriving from the application of the aforementioned method (Projected Unit Credit Method), in an appropriate shareholders’ equity reserve according to the provisions of IAS 19. The actuarial valuation of the liability was entrusted to an independent actuary.

The Company 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 leasing contracts, which substantially transfer all risks and rewards of the leased asset to the Company, 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 charges are charged directly to the income statement.

Capitalised leased assets are amortised over the estimated useful life of the asset and the duration of the lease, whichever is the shorter, if there is no reasonable certainty that the Company will obtain ownership of the asset at the end of the contract.

Operating lease rental fees are recorded as costs in the income statement on a straight line basis over the duration of the contract.

## Revenue recognition

Revenues are recorded to the extent in which it is likely that economic benefits can be achieved by the Company and the associated amount can be reliably determined. The following specific revenue recognition criteria must be adhered to before revenues are booked to the income statement:

### *Provision of service*

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

- management 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 balance sheet 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 Company records the revenues deriving from building contracts on the basis of the progress status 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 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 acquirer.

*Interest*

Interest is recorded 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 recorded when it is reasonably certain they will be received and all inherent conditions are met. When grants are related to cost components, they are recorded 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 subtracted 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 financial year are valued by applying estimate criteria to determine the amount pertaining to 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 recorded 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 recorded against all temporary taxable differences, except:

- when deferred tax liabilities derive 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 it 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 derive 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 recorded 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 recorded in the financial statements is reviewed at the close of each financial year 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 balance sheet date and are recorded 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 shareholders' equity are charged directly to shareholders' 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 recorded 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 booked to the income statement.

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.

*Derivative financial instruments and hedges*

At the moment of initial recognition, then subsequently, derivative instruments are booked at fair value, changes in fair value are recorded in the income statement, with the exception of cash flow hedges (as per IAS 39), whose fair value changes are charged to shareholders' equity.

If they meet the requirements set out in IAS 39 for the application of hedge accounting, these derivative instruments are accounted for using such method.

In particular, the transaction is considered a hedge if documentation exists on the relationship between the hedging instrument and the liability hedged that shows risk management objectives, the hedging strategy and methods used to verify the effectiveness of the hedge. A transaction is considered a hedge if the effectiveness is verified at the moment it starts and, going forward, confirmed during its entire life.
Within the scope of the International Accounting Standards (IFRS), these instruments are viewed as derivative financial instruments. These derivative financial instruments are initially recorded at fair value at the date they are stipulated; subsequently, said fair value is periodically re-measured. They are accounted as assets when the fair value is positive and liabilities in the case of a negative fair value.
Any profits or losses resulting from changes in the fair value of derivatives that do not qualify for hedge accounting are booked directly to the income statement in the year.

### Earnings per share

The Company did not adopt IFRS 8 - Segment reporting or IAS 33 Earnings per share in these financial statements, given that they are only mandatory for companies quoted on regulated markets; this information is provided in the Group consolidated financial statement.

### 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 Demerger of the Telecom Business Unit

With accounting, statutory and tax effects from 1 October 2014, a partial demerger took place, which was proportional and simplified without any share swap ratio, pursuant to Article 2505 of the Italian Civil Code, as referred to by Article 2506 –*ter*, last paragraph, of the Italian Civil Code, though the transfer by Manutencoop Private Sector Solutions S.p.A. of the business unit dedicated to the services provided to the customer Telecom.

The transfer involved the active contract relationships relating to the services provided, the relations with the staff employed in the related business, made up of 89 employees and the related liabilities for staff severance pay and other accrued fees, in addition to other balance sheet asset and liability items, relating to the Business Unit dedicated to the specific activities.

The facility management services under the transfer, which were previously provided by MPSS S.p.A. all over Italy, involve the maintenance of technology systems and civil works, environmental hygiene, move-in/out operations, installation of high efficiency lamps, Data Center warehouse operation, in addition to the operation and maintenance of a cogeneration plant for the production of electricity and cooling energy.

As at the date of the demerger, the reference financial position of the Telecom Business Unit, which shows a book value of the transferred equity equal to zero, was made up as follows:

| EQUITY AND LIABILITIES | |
|---|---|
| **Non-current assets** | |
| Goodwill | 4,589 |
| Non-current financial assets | 1 |
| Deferred tax assets | 696 |
| **Total non-current assets** | **5,287** |
| **Current assets** | |
| | |
| | |
| Other current assets | 27 |
| **Total current assets** | **27** |
| **Total assets** | **5,313** |

| EQUITY AND LIABILITIES | |
|---|---|
| **Non-current liabilities** | |
| Provisions for employee termination indemnity | (1,599) |
| Provisions for risks and charges, non-current | (121) |
| Deferred tax liabilities | (875) |
| **Total non-current liabilities** | **(2,595)** |
| **Current liabilities** | |
| Provisions for risks and charges, current | (2,411) |
| Other current liabilities | (234) |
| Bank borrowings, including current portion of long-term debt, and other financial liabilities | (74) |
| **Total current liabilities** | **(2,719)** |
| **Total liabilities and equity** | **(5,313)** |

## 4. PROPERTY, PLANT AND EQUIPMENT

The table below shows the changes in property, plant and equipment owned in the year ended 31 December 2014. The historical cost and the value of the depreciation fund, at the beginning and at the end of the year, are reported at the bottom of the table.

| *(in thousands of Euro)* | Properties | Plant and equipment and other assets | Properties under lease | Plant and equipment under lease | Total |
|---|---|---|---|---|---|
| **At 1 January 2014, net of accumulated depreciation and impairment** | **592** | **12,987** | **156** | **204** | **13,939** |
| Revaluations | | | | | 0 |
| Increases | | 998 | | | 998 |
| Impairment losses | (23) | | | | (23) |
| Disposals | (34) | (464) | | | (499) |
| Depreciation for the period | (49) | (3,114) | (9) | (58) | (3,229) |
| Reclassifications | | 41 | | (42) | 0 |
| **At 31 December 2014, net of accumulated depreciation and impairment** | **485** | **10,447** | **147** | **106** | **11,186** |
| **At 1 January 2014, net of accumulated depreciation and impairment** | | | | | |
| Cost | **2,472** | **57,129** | **284** | **643** | 60,528 |
| Accumulated depreciation and impairment losses | **(1,881)** | **(44,142)** | **(128)** | **(439)** | (46,590) |
| **NET BOOK VALUE** | **592** | **12,987** | **156** | **204** | **13,939** |
| **At 31 December 2014** | | | | | |
| Cost | **2,240** | **56,416** | **284** | **397** | **59,338** |
| Accumulated depreciation and impairment losses | **(1,755)** | **(45,969)** | **(137)** | **(291)** | **(48,152)** |
| **NET BOOK VALUE** | **485** | **10,447** | **147** | **106** | **11,186** |

The increases in the year mainly refer to the purchase of vehicles and equipment used for cleaning and sanitation services as well as investments made in plants.

There are no fixed assets which have been subject to revaluations in the current financial year or in previous years.

The decreases for the year, totalling € 499 thousand, mainly relate to the sale of a cogeneration plant thus achieving a capital loss of € 50 thousand.

The table below shows the movements in property plant and equipment owned in the year ended 31 December 2013; the historical cost and the value of the depreciation fund, at the beginning and at the end of the year, are reported at the bottom of the table.

| *(in thousands of Euro)* | Properties | Plant and equipment and other assets | Properties under lease | Plant and equipment under lease | Total |
|---|---|---|---|---|---|
| **At 1 January 2013, net of accumulated depreciation and impairment** | **842** | **15,337** | **165** | **323** | **16,666** |
| Additions due to business combinations | | | | | |
| Revaluations | | | | | 0 |
| Increases | | 965 | | | 965 |
| Decreases from transfers or contributions | (14) | | | | (14) |
| Impairment losses | | | | | 0 |
| Disposals | | (116) | | (1) | (117) |
| Depreciation for the period | (236) | (3,257) | (9) | (117) | (3,619) |
| Reclassifications | | 57 | | | 57 |
| Rounding off | | | | 1 | 1 |
| **At 31 December 2013, net of accumulated depreciation and impairment** | **592** | **12,987** | **156** | **204** | **13,939** |
| **At 1 January 2013** | | | | | |
| Cost | **2,903** | **57,355** | **284** | **2,536** | 63,078 |
| Accumulated depreciation and impairment losses | **(2,061)** | **(42,018)** | **(119)** | **(2,213)** | (46,412) |
| **NET BOOK VALUE** | **842** | **15,337** | **165** | **323** | **16,666** |
| **At 31 December 2013** | | | | | |
| Cost | **2,472** | **57,129** | **284** | **643** | **60,528** |
| Accumulated depreciation and impairment losses | **(1,881)** | **(44,142)** | **(128)** | **(439)** | **(46,590)** |
| **NET BOOK VALUE** | **592** | **12,987** | **156** | **204** | **13,939** |

## 5. INTANGIBLE ASSETS

The table below shows the changes in intangible assets in the year ended 31 December 2014. The historical cost and the value of the amortization fund, at the beginning and at the end of the year, are reported at the bottom of the table.

| *(in thousands of Euro)* | Other intangible assets | Goodwill | Total |
|---|---|---|---|
| **At 1 January 2014, net of accumulated amortisation and impairment losses** | **22,977** | **288,649** | **311,626** |
| Increases | 8,925 | 4,589 | 13,514 |
| Impairment losses | (4,418) | | (4,418) |
| Disposals | (5) | | (5) |
| Rounding off | | | 0 |
| Amortization | (5,791) | | (5,791) |
| **At 31 December 2014** | **21,688** | **293,238** | **314,926** |
| **At 1 January 2014** | | | |
| Cost (gross book value) as previously reported | 70,327 | 346,126 | 416,453 |
| Accumulated amortization and impairment losses as previously reported | (47,350) | (57,477) | (104,827) |
| **NET BOOK VALUE** | **22,977** | **288,649** | **311,626** |
| **At 31 December 2014** | | | |
| Cost (gross book value) | 74,829 | 350,715 | 425,544 |
| Accumulated amortization and impairment losses | (53,141) | (57,477) | (110,618) |
| **NET BOOK VALUE** | **21,688** | **293,238** | **314,926** |

Other intangible assets, amounting to € 21,688 thousand at 31 December 2014, 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 (€ 8,925 thousand) were attributable almost entirely to the investments in software used in the corporate IT systems.
The backlog entered under other intangible assets amounted to € 3,831 thousand at 31 December 2014. Their value is equal to the historical cost of backlog, net of accumulated amortization.

Software purchase costs are amortised on a straight line basis over their expected useful life of 5 years.
Trademarks and patents are amortised on a straight line basis over their expected useful life of 5 years.
At 31 December 2014 goodwill amounted to € 293,238 thousand, against € 288,649 thousand in the previous year. The increase for the year was due to the Demerger of the Telecom Business Unit, as described in paragraph 3. Goodwill is tested for impairment on an annual basis, as described in paragraph 6 below.

In 2014 the portion of amortization of intangible assets amounted to € 5,791, compared to € 6,205 thousand in the previous year.

Finally, the year saw the recognition of impairment losses of € 4,418 thousand, mainly linked to the write-off of the net residual value of software projects capitalised in previous years which, after careful analysis, proved to be no longer suitable to be used for company business purposes because they were no longer utilised or had been superseded by more innovative projects.

The table below shows the changes that occurred in intangible assets in the year ended 31 December 2013. The historical cost and the value of the amortization fund, at the beginning and at the end of the year, are reported at the bottom of the table.

| *(in thousands of Euro)* | **Other intangible assets** | **Goodwill** | **Total** |
|---|---|---|---|
| **At 1 January 2013, net of accumulated amortization and impairment** | **20,551** | **288,649** | **309,201** |
| Increases | 8,687 | | 8,687 |
| Impairment losses | | | |
| Disposals | (56) | | (56) |
| Rounding off | | | |
| Amortization | (6,205) | | (6,205) |
| **At 31 December 2013** | **22,977** | **288,649** | **311,626** |
| **At 1 January 2013** | | | |
| Cost (gross book value) as previously reported | 61,701 | 346,126 | 407,827 |
| Accumulated amortization and impairment losses as previously reported | (41,150) | (57,477) | (98,627) |
| **NET BOOK VALUE** | **20,551** | **288,649** | **309,201** |
| **At 31 December 2013** | | | |
| Cost (gross book value) | 70,327 | 346,126 | 416,453 |
| Accumulated amortization and impairment losses | (47,350) | (57,477) | (104,827) |
| **NET BOOK VALUE** | **22,977** | **288,649** | **311,626** |

## 6. IMPAIRMENT TEST OF GOODWILL

At 31 December 2014 goodwill amounted € 293,239 thousand, against a value of € 288,649 thousand at the end of the previous year.

As set out in accounting standard no. 36 (“IAS 36”) regarding the impairment testing of balance sheet assets, the Company arranged for an analysis of the recoverability of the goodwill recorded through business plans in order to identify any indications of impairment loss. 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.

For the purpose of impairment tests on assets, company management identified beforehand the operating units to which the “Cash Generating Units” (“CGU”) correspond, on the basis of the type of services offered.

The identification of the Facility Management CGU carried out is fully consistent with the requirements set forth in IAS 36 itself, which requires the impairment test calculations used to be consistent with the reports used by the key decision makers in order to monitor the company performances and determine future development strategies.

The impairment test on the value of goodwill allocated to the facility management CGU was carried out through the comparison between the net book value and the recoverable value of the individual CGUs/SBUs to which goodwill had been allocated, as determined on the basis of the discounting-back of expected future cash flows relating to the period 2015-2019 extrapolated from the Business Plan of the Manutencoop Group.
The business plan used for the analyses described in these notes was approved by the Management Board of Manutencoop Facility Management S.p.A. on 23 February 2015.

The estimated value in use is based on the following assumptions:

- the expected future cash flows for the period 2015-2017, as already specified, were extrapolated from the Business Plan. The main assumptions on which Management based cash flow projections for the purpose of impairment test of goodwill are:
    - 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.
    - Changes in net working capital estimated 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 NOPAT based on 2019 EBIT, net of a nominal tax rate. As regards long-term growth rates, a steady assumption of 1% has been considered.
- the expected future cash flows were discounted back at a discount rate (WACC) of 7.35% (2013: 7.92%). 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. Furthermore, 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 100 basis points in each period of time.

The analysis confirmed that the recoverable value of Facility Management CGU 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. In simulating nil growth rates (equal to 0%), also in combination with a WACC exceeding those applied by a percentage point (and, then, equal to 8.35%) 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 IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

The Company directly holds some equity investments in subsidiaries, joint ventures and associates which are valued at cost in the financial statements.

With respect to subsidiaries, joint ventures and associates, the table below summarises, the information regarding the name, registered office and the amount of share capital held, corresponding to the percentage of votes held at shareholders' meetings.

| SUBSIDIARIES | Registered office | Share Capital Held |
|---|---|---|
| Logistica Sud Est Soc. Cons. a r.l. | Zola Predosa (BO) | 60% |
| MCF Servizi Integrati Soc. Cons. a r.l. | Zola Predosa (BO) | 60% |
| Servizi Brindisi Soc.Cons. a r.l. | Zola Predosa (BO) | 52% |
| Gestlotto 6 Soc.Cons. a r..l. | Zola Predosa (BO) | 55% |
| Simagest 2 Soc.Cons. a r.l. | Zola Predosa (BO) | 90% |
| Consorzio Imolese Pulizie Soc.Cons. a r.l. | Imola (BO) | 60% |
| Consorzio Servizi Toscana Soc.Cons. a r.l. | Zola Predosa (BO) | 60% |
| Servizi Marche Soc.Cons. a r.l. in liquidation | Zola Predosa (BO) | 60% |
| Palmanova servizi energetici Soc.Cons. a r.l. | Zola Predosa (BO) | 60% |
| Servizi l'Aquila Soc.Cons. a r.l. | Zola Predosa (BO) | 60% |
| Consorzio Igiene Ospedaliera Soc.Cons. a r.l. | Zola Predosa (BO) | 67% |
| Gymnasium Soc.Cons. a r.l. | Zola Predosa (BO) | 68% |
| Manutencoop Private Sector Solutions S.p.A. | Zola Predosa (BO) | 100% |
| Co.Ge.F. Soc.Cons. a r.l. | Zola Predosa (BO) | 80% |
| Simagest 3 Soc.Cons. a r.l. | Zola Predosa (BO) | 90% |
| Alisei S.r.l. | Zola Predosa (BO) | 100% |
| Servizi Ospedalieri S.p.A. | Ferrara (FE) | 100% |
| Manutenzione Installazione Ascensori S.p.A. | Modena (MO) | 100% |
| Società Manutenzione Illuminazione S.p.A. | Zola Predosa (BO) | 100% |
| MACO S.p.A. | Zola Predosa (BO) | 100% |
| Sicura S.p.A. | Vicenza (VI) | 80% |
| Ferraria Soc. Cons. a r.l. | Zola Predosa (BO) | 69% |
| S.AN.GE Soc. Cons. a r.l. | Milan (MI) | 89% |
| Consorzio Sermagest Servizi Manutentivi Gestionali in liquidation | Rome (RM) | 60% |
| S.AN.CO. Soc. Conso a r.l. | Milan (MI) | 52% |
| Telepost S.p.A. | Zola Predosa (BO) | 100% |
| ISOM Gestione Soc. Cons. a r.l. | Zola Predosa (BO) | 53% |
| Servizi Taranto Soc. Cons. a r.l. | Taranto (TA) | 60% |
| ISOM Lavori Soc. Cons. a r.l. | Zola Predosa (BO) | 63% |
| Kanarind Soc. Cons. a r.l. | Zola Predosa (BO) | 62% |
| Global Oltremare Soc. Cons. a r.l. | Zola Predosa (BO) | 60% |

| JOINT VENTURES | Registered Office | Share Capital Held |
|---|---|---|
| CO. & MA. Società Consortile a r.l. | Tremestieri Etneo (CT) | 50% |
| Consorzio Leader Soc.Cons. a r.l. | Zola Predosa (BO) | 50% |
| Legnago 2001 Soc.Cons. a r.l. | Zola Predosa (BO) | 50% |
| Servizi Sportivi Brindisi Soc. Cons. a r.l. | Rome | 50% |
| Malaspina Energy Soc. Cons. a r.l. | Milan | 50% |
| DUC Gestione Sede Unica Soc.Cons. a r.l. | Zola Predosa (Bo) | 49% |
| Cardarelli Soc. Cons. a r. l. | Carinaro (CE) | 60% |

| ASSOCIATES | Registered Office | Share Capital Held |
|---|---|---|
| UFS - United Facility Solutions | Brussels | 33% |
| Savia Soc. Cons. a r.l. | Forlì (FC) | 49% |
| Gico Systems S.r.l. | Zola Predosa (BO) | 20% |
| Como Energia Soc.Cons. a r.l. | Como | 30% |
| Se.Sa.Mo. S.p.A. | Carpi (Mo) | 21% |
| Global Riviera Soc.Cons. a r.l. | Zola Predosa (Bo) | 23% |
| Newco DUC Bologna S.p.A. | Bologna | 25% |
| PBS Soc.Cons. a r.l. | Milan | 25% |
| Bologna Più Soc.Cons. a r.l. | Bologna | 26% |
| Global Provincia di Rimini Soc.Cons. a r.l. in liquidation | Zola Predosa (Bo) | 42% |
| Roma Multiservizi S.p.A. | Rome | 45% |
| Global Vicenza soc.cons. a r.l. | Concordia sulla Secchia (MO) | 41% |
| Bologna Multiservizi soc.cons. a r.l. | Casalecchio di Reno (BO) | 39% |
| Livia Soc. Cons. a r.l. | Zola Predosa (Bo) | 34% |
| Bologna Gestione Patrimonio Soc. Cons. a r.l. | Bologna | 28% |
| Servizi Napoli 5 Soc. Cons. a r.l. | Zola Predosa (Bo) | 45% |
| Costruzione Manutenzione Immobili S.r.l. in liquidation | Bologna | 40% |
| Progetto Nuovo Sant'Anna S.r.l. | Milan | 24% |
| Logistica Ospedaliera Soc. Cons a r.l. | Caltanissetta (CL) | 45% |
| Synchron Nuovo San Gerardo S.p.A. | Zola Predosa (Bo) | 26% |
| Grid Modena S.r.l. | Modena | 23% |
| Progetto ISOM S.p.A. | Zola Predosa (BO) | 37% |

The statement of changes in equity investments in Subsidiaries, joint ventures and Associates during the year is provided below:

| **SUBSIDIARIES** *(in thousands of Euro)* | **Balance as at 01/01/2014** | **Increase** | **Decrease/ write-down** | **Reclassification** | **Balance as at 31/12/2014** |
|---|---|---|---|---|---|
| Servizi Marche s.cons.r.l. | 6 | | | | 6 |
| Consorzio Imolese Pulizie s.cons.r.l. | 6 | | | | 6 |
| Kanarind Soc. Cons. a r.l. | 6 | | | | 6 |
| Servizi Ospedalieri S.p.A. | 80,570 | | | | 80,570 |
| S.I.MA.GEST2 s.cons.r.l. in liquidation | 45 | | | | 45 |
| S.I.MA.GEST3 s.cons.r.l. in liquidation | 45 | | | | 45 |
| Consorzio Servizi Toscana s.cons.r.l. | 6 | | | | 6 |
| Gymnasium s.cons.r.l. | 7 | | | | 7 |
| Gestlotto6 soc.cons.r.l. | 50 | | | | 50 |
| Servizi Brindisi s.cons. a r.l. | 5 | | | | 5 |
| Co.Ge.F. s. cons. a r.l. | 8 | | | | 8 |
| Palmanova servizi energetici s. cons. a r.l. | 6 | | | | 6 |
| Servizi l'Aquila s.cons.r.l. | 12 | | | | 12 |
| Società Manutenzione Illuminazione S.p.A. | 161 | 2,300 | (2,172) | | 289 |
| Manutenzione Installazione Ascensori S.p.A. | 8,788 | 6,212 | (15,000) | | 0 |
| Sicura S.p.A. | 32,866 | | | | 32,866 |
| Consorzio Sermagest Servizi Manutentivi Gestionali | 0 | | | | 0 |
| MACO S p.A. | 84 | 1,035 | (828) | | 291 |
| Consorzio Igiene Ospedaliera s. cons. a r.l. | 7 | | | | 7 |
| Alisei S.r.l. | 0 | | | | 0 |
| Manutencoop Private Sector Solutions S.p.A. | 12,771 | | | | 12,771 |
| Telepost S.p.A. | 7,299 | | | | 7,299 |
| S.AN.CO. Soc. Cons. a r.l. | 5 | | | | 5 |
| S.AN.GE Soc. Cons. a r.l. | 9 | | | | 9 |
| Servizi Taranto Soc. Cons. a r.l. | 6 | | | | 6 |
| Isom Gestione Soc. Cons. a r.l. | 5 | | | | 5 |
| Global Oltremare Soc. Cons. a r.l. | 6 | | | | 6 |
| Isom Lavori Soc. Cons. a r.l. | 6 | | | | 6 |
| MCF Servizi Integrati Soc. Cons. a r.l. | 6 | | | | 6 |
| Logistica Sud Est Soc. Cons. a r.l. | 6 | | | | 6 |
| Ferraria Soc. Cons. a r.l. | 0 | 7 | | | 7 |
| **TOTAL SUBSIDIARIES** | **142,797** | **9,554** | **(18,000)** | **0** | **134,351** |

| JOINT-VENTURES<br>*(in thousands of Euro)* | Balance as at 01/01/2014 | Increase | Decrease/ write-down | Reclassification | Balance as at 31/12/2014 |
|---|---|---|---|---|---|
| CO. & MA. Società Consortile a r.l. | 5 | | | | 5 |
| Cardarelli Soc. Cons. a r. l. | 6 | | | | 6 |
| Consorzio Leader Soc. Cons. a.r.l. | 5 | | | | 5 |
| Legnago 2001 Soc. Cons a r.l. | 5 | | | | 5 |
| Servizi Sportivi Brindisi Soc. Cons. a r.l. | 5 | | | | 5 |
| Duc Dest sede unica Soc. Cons.a r.l. | 10 | | | | 10 |
| Malaspina Energy Soc. Cons. a r.l. | 50 | | | | 50 |
| **TOTAL JOINT-VENTURES** | **86** | **0** | | **0** | **86** |

| ASSOCIATES<br>*(in thousands of Euro )* | Balance as at 01/01/2014 | Increase | Decrease/ write-down | Reclassification | Balance as at 31/12/2014 |
|---|---|---|---|---|---|
| Roma Multiservizi S.p.A. | 3,324 | | | | 3,324 |
| Global Prov.Rimini Soc. Cons. a r.l. | 4 | | | | 4 |
| Gico Systems S.r.l. | 29 | | | | 29 |
| Bologna più Soc. Cons. a r.l. | 5 | | | | 5 |
| Como Energia Soc. Cons. a r.l. | 78 | | | | 78 |
| Global Riviera Soc. Cons. a r.l. | 7 | | | | 7 |
| Newco Duc Bologna S.p.A. | 1,004 | | | | 1,004 |
| Sesamo S.p.A. | 606 | | | | 606 |
| P.B.S. Soc. Cons.a r.l. | 25 | | | | 25 |
| Global Vicenza Soc.Cons. a r.l. | 4 | | | | 4 |
| Bologna Multiservizi Soc. Cons.a r.l. | 4 | | | | 4 |
| Bologna Gestione Patrimonio Soc. Cons. a r.l. | 6 | | | | 6 |
| Servizi Napoli 5 Soc. Cons. a r.l. | 5 | | | | 5 |
| Costruzione Manutenzione Immobili S.r.l | 62 | | | | 62 |
| Livia Soc. Cons. a r.l. | 3 | | | | 3 |
| Progetto Nuovo Sant'Anna S.r.l. | 1,043 | | | | 1,043 |
| Perimetro Gestione Proprietà Immobiliari Soc. Cons. p. A. | 1,111 | | (1,111) | | 0 |
| Savia Soc.Cons. a r.l. | 5 | | | | 5 |
| Progetto Isom S.p.A. | 2,420 | | | | 2,420 |
| GRID MODENA SRL | 23 | | | | 23 |
| Logistica Ospedaliera Soc. Cons a r.l. | 5 | | | | 5 |
| Synchron Nuovo San Gerardo S.p.A. | 2,135 | | | | 2,135 |
| UFS - United Facility Solutions | 103 | | (103) | | 0 |
| **Total associates** | **12,009** | **0** | **(1,214)** | **0** | **10,795** |
| **TOTAL SUBSIDIARIES, JOINT-VENTURES, ASSOCIATES** | **154,892** | **9,554** | **(19,214)** | **0** | **145,232** |

The main changes which occurred during the year are as follows:

**Società Manutenzione Illuminazione S.p.A.**

The increase of € 2,300 thousand refers to capital contribution payment in made in May and November 2014.

Decrease, equal to € 2,171 thousand, regards the write-down of the investment made in 2014 in order to bring its book value into line with that of the shareholders' equity and as a consequence of continuing losses.

**MIA S.p.A.**

The transfer of the total quota held in MIA S.p.A. (the sub-holding company of the related group of companies operating in the market of lifting equipment installation and maintenance) took place on 30 December 2014. The transfer agreement provided for the definition of a preliminary price of the investment, in addition to the full repayment of the intragroup loan, which was outstanding, as at that date, between the transferred company and the Company. On the closing date the buyer followed up the payment, totalling € 60,405 thousand, in connection with the repayment of the intragroup loan and a portion of the preliminary consideration relating to the transfer of the equity, while a portion of the transfer price (€ 10 million) was paid by the buyer into an escrow account, as security for the future commitments entered into by the parties. According to the transfer agreement, the price set before closing will be adjusted according to specific contractual provisions. The management included an estimate of this price adjustment, made on the basis of the information to hand at the time, in the financial statements at 31 December 2014.

**Gruppo Sicura S.r.l.**

At the end of 2008 the acquisition of an 80% stake in Gruppo Sicura S.r.l. was acquired, a company also operating as a holding company for a group of companies operating mainly in the fire safety services sector, as well as the surveillance and security sectors.

The consideration for the purchase of the shareholding, equal to € 15,329 thousand, was paid to the transferors on the date of completion of the transaction.

The contract also makes provision for:

› the payment of an earn-out to transferors, for the 80% share purchased, to be paid between 1 July 2014 and 30 June 2015, when requested by said sellers, upon satisfaction of the condition that the consolidated normalised EBITDA of Gruppo Sicura for 2013 is higher than the normalised value in 2007;
› the cross issue of a put option (from buyer to transferors, exercisable between 30 June 2014 and 30 June 2015) and a call option (from transferors to the buyer, exercisable between 1 July 2015 and 1 July 2017) for the sale of a further 20% of share capital.

The strike price of the options on the remaining 20% of the capital will be calculated on the basis of the valuation of the investment, updated, on the option exercise date.

The financial year saw the payment of the earn-out due to minority shareholders, equal to € 11 million.

**Energyproject S.r.l.**

On 3 February 2014 an agreement was reached for the transfer of the total quotas of the subsidiary Energyproject S.r.l, which was completed in 2013 and recognised in the 2013 annual accounts under the item of “non-current assets held for sale”. The agreement for the transfer of the quota held provided for the procedures to repay the loan granted by MFM S.p.A. to the same company, equal to € 4,155 thousand as at the date of execution of the agreement. A portion of the same was collected at the same time as the transfer of the capital quotas (€ 1,900 thousand) and subsequently for additional € 1,394 thousand, while the residual portion will be collected in the course of the next finance year.

**Maco S.p.A.**

Increases of € 1,035 thousand for the capital contribution payment made during the year.
Decrease, equal to € 828 thousand, relates to the write-down of the investment made in 2014 in order to bring its value into line with shareholders’ equity and as a consequence of continuing losses.

**Ferraria Soc. Cons. a r.l.**

18 December 2014 saw the incorporation of “Ferraria Società Consolrtile a r.l.”, with registered office at Via Poli no. 4 in Zola Predosa (Bologna), concerning the global maintenance multi-service and energy services for the properties pertaining to the USL Local Health Unit in Ferrara.”; the same was registered with the Bologna Register of Companies on 23 December 2014.

**UFS – United Facility Solutions**

The decrease, equal to € 103 thousand, relates to the write-down applied in the 2014 financial year in order to bring the value of the investment into line with the realisable value; the investment was sold in February 2015.

**Perimetro Gestione Proprietà Immobiliari Soc. Cons. p. A.**

On 15 April 2014 the Company transferred 26,793 Class A shares issued by Perimetro Gestione Proprietà Immobiliari ScpA (equal to 20.10%) for a nominal value of € 27 thousand.

## 8. OTHER INVESTMENTS

| *(in thousands of Euro)* | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Other investments | 2,718 | 2,504 |
| **TOTAL** | **2,718** | **2,504** |

Investments in companies in which the Company has no significant or controlling interests were acquired for strategic/production purposes; indeed, these investments are all related to production sites and also mostly regard investments in consortia for cost charge-back. This item was valued at purchase or establishment cost since there is no active market in these securities, which for the most part cannot be freely transferred to third parties due to limitations and covenants preventing their free circulation. In any case, this valuation method provides an adequate measure of the security's fair value.
The change, with respect to the previous year, mainly derives from the increase of € 214 thousand, due to the recapitalisation of the investment held in Arena Sanità S.p.A..

## 9. NON-CURRENT FINANCIAL ASSETS

| *(values in thousands of Euro)* | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Non-current financial assets | 66,964 | 59,568 |
| **TOTAL** | **66,964** | **59,568** |

The balance is mainly composed of loans granted to associate and affiliate companies. In certain cases non-interest bearing loans were granted, and then discounted on the basis of their expected residual term, applying as the reference interest rate the IRS relating to loans with a term of more than 12 months, and the Euribor for loans with a term of less than 12 months, plus a market spread valued at the moment of calculation of the discount.
The nominal value of non-interest bearing amounts at year-end amounted to € 3,291 thousand, while the discount fund amounted to € 505 thousand.

The change compared to the previous financial year is mainly attributable to the transfer of the MIA investment, which gave rise to a financial receivable for € 10 million, which was paid by the purchaser into an escrow account, to secure the future commitments undertaken by the parties, net of a reduction due to the repayment of the shareholders' loan equal to € 2 million.

## 10. OTHER NON-CURRENT ASSETS

| *(values in thousands of Euro)* | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Other receivables and non-current assets | 1,429 | 1,275 |
| **TOTAL** | **1,429** | **1,275** |

Other non-current assets mainly consist of security deposits related to certain commercial contracts, of prepaid expenses on long-term insurance policies and loans granted to employees.

## 11. INVENTORIES

| *(values in thousands of Euro)* | 31 December 14 | 31 December 13 |
|---|---|---|
| Raw materials and consumable | 1,172 | 1,514 |
| **TOTAL** | **1,172** | **1,514** |

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 and stocks of fuel in tanks belonging to customers that entrusted the Company with heat management.

## 12. TRADE RECEIVABLES, ADVANCES TO SUPPLIERS

Trade receivables net of discount and depreciation funds are broken down as follows:

| *(in thousands of Euro)* | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Trade receivables, gross | 367,774 | 414,653 |
| Provision for the discounting of trade receivables | 0 | (113) |
| Allowance for doubtful accounts | (19,949) | (19,464) |
| Advances to suppliers | 1,144 | 3,360 |
| **Trade receivables due from third parties** | **348,969** | **398,437** |
| Inventories of contract work in progress | 18,719 | 17,129 |
| **Contract work in progress** | **18,719** | **17,129** |
| Trade receivables from parent companies | 113 | 56 |
| Trade receivables from subsidiaries | 47,829 | 84,144 |
| Trade receivables from joint ventures | 7,221 | 8,544 |
| Trade receivables from associates | 13,166 | 12,679 |
| Trade receivables from affiliates | 28 | 91 |
| **Trade receivables due from Related parties** | **68,356** | **105,513** |
| **Trade receivables and advances to suppliers** | **436,044** | **521,080** |

The balance of trade receivables and advances to suppliers, which also includes inventories of contract work in progress, amounted to € 436,044 thousand as at 31 December 2014, showing a decrease of € 85,036 thousand compared to the amount of € 521,080 thousand recorded as at 31 December 2013.
The change is mainly due to the decrease in gross trade receivables, which amounted to € 367,774 thousand at 31 December 2014 (31 December 2013: € 414,653 thousand), against the related adjustment provisions that showed a balance of € 19,949 thousand at 31 December 2014 (31 December 2013: € 19,464 thousand).

Furthermore, in the course of 2014, the Group entered into an agreement for the repurchase of the trade receivables assigned to Banca IMI in previous financial years and not yet collected by the factor, for an initial overall cost of € 8,529 thousand. The balance of these receivables has been recognised at the purchase value under “trade receivables”, while the balance of the items not yet collected at 31 December 2014 was equal to € 5,722 thousand.

Trade receivables generally have contractual maturities of between 30 and 90 days. Given that most of the customers are either Public Authorities, Local Authorities, Local Health Authorities and Hospitals, who are notorious for payment delays, a provision was created, in the past, for the discounting of trade receivables at a risk-free discount rate depending on the bracket of the past due receivable for the period elapsed between the average number of days of delayed payment of the main competitors and that of the company identified during the year.

Changes in the provision for discounting of trade receivables in 2014 are shown below:

| | 31 December 2013 | Provisions | Releases | 31 December 2014 |
|---|---|---|---|---|
| Provision for discounting of trade receivables | 113 | 0 | (113) | 0 |

The total decrease in the provision for discounting receivables is due to the amounts freed from provisions allocated by the Company, since collections are now in line with market practice after the substantial improvement in average sale days outstanding and to the persistence of low reference interest rates; for these reasons, the discounting impact is no longer judged to be significant.

With respect to non-performing receivables which are difficult to fully recover, a specific write-down provision was set aside, amounting to € 19,949 thousand at 31 December 2014 (at 31 December 2013: € 19,464 thousand) deemed suitable with respect to known disputes at the balance sheet date.

| *(in thousands of Euro)* | 31 December 2013 | Increases | Other provisions | Utilisations | Releases | Reclass. | 31 December 2014 |
|---|---|---|---|---|---|---|---|
| Allowance for doubtful accounts -Customers | 19,464 | 1,598 | 151 | (1,814) | (9) | 559 | 19,949 |

Provisions include those for default interest set aside in the year for € 151 thousand (€ 200 thousand at 31 December 2013). This provision is charged to the income statement as a direct deduction of income for penalty interest.

For details on the terms and conditions relating to receivables from related parties, reference should be made to note 36.

The table below shows the analysis of trade receivables due from third parties net of the write-down provision and including the provision for discounting in place as at 31 December 2014:

| *(in thousands of Euro)* | Total | Trade receivables reaching maturity | Overdue trade receivables | | | | |
|---|---|---|---|---|---|---|---|
| | | | < 30 days | 30 - 60 days | 60 - 90 days | 90 - 120 days | after 120 days |
| 31. December 2014 | 347,825 | 241,997 | 22,052 | 15,564 | 3,716 | 3,765 | 60,731 |
| 31. December 2013 | 395,190 | 260,734 | 31,426 | 21,397 | 11,689 | 13,903 | 56,040 |

On the basis of the historical performance of the debtors involved in the transfer, the incidence of the credit risk is extremely low, while the risk of delayed payment is higher given that said receivables are predominantly due from Public Authorities.

In 2014, no assignments of trade receivables without recourse took place after the gradual abandonment of revolving programmes for the assignment of trade receivables without recourse to Crédit Agricole Corporate & Investment Bank and to Intesa San Paolo.

## 13. OTHER CURRENT ASSETS

| *(in thousands of Euro)* | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Receivables due from employees | 536 | 391 |
| Advances to supplier | 1,005 | 614 |
| Due from social security institutions | 1,685 | 501 |
| Due from parent company | 9 | 10 |
| Due from subsidiaries | 196 | 267 |
| Due from INPDAP | 2,176 | 2,176 |
| Due from INAIL | 634 | 510 |
| VAT credits due from tax authorities | 2,061 | 550 |
| Miscellaneous | 9,652 | 12,473 |
| Due from tax authorities | 1,916 | 1,925 |
| **TOTAL OTHER CURRENT ASSETS** | **19,870** | **19,419** |

The amount of € 2,176 thousand refers to the balance of current accounts held at Banca di Roma managed in the name and on behalf of INPDAP (Social Security Institution for employees in public administration), as provided for in a commercial contract stipulated with the aforementioned authority by the company B.S.M. S.r.l., merged in 2006.

It should be noted that the item "Miscellaneous" includes a provision for doubtful accounts, which was recognised in previous years (€ 595 thousand), taken as a direct reduction in the item. This provision was allocated following an analysis of the individual receivables, also taking into account maturity and recoverability.

## 14. CURRENT FINANCIAL ASSETS

| *(in thousands of Euro)* | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Global Prov. Rimini Soc. Cons. a r.l. | 70 | 170 |
| Consorzio Imolese Pulizie Soc.cons.r.l. | 36 | 36 |
| Gymnasium Soc.cons.r.l. | 7 | 7 |
| Gestlotto6 Soc.cons.r.l. | 20 | 20 |
| Bologna Più Soc. Cons. r.l. | 39 | 39 |
| **Intercompany receivables from companies in liquidation** | **172** | **272** |
| CO.VE.DI. S.r.l. | 0 | 0 |
| Società Manutenzione Illuminazione S.p.A. | 12,152 | 9,209 |
| Maco SpA | 1,896 | 2,279 |
| Manutenzione Installazione Ascensori S.p.A. | 0 | 32,197 |
| SERVIZI OSPEDALIERI SpA | 14,542 | 32,130 |
| Consorzio Igiene Ospedaliera Soc.cons.r.l. | 1 | 1 |
| Energy Project S.p.A. | 0 | 4,715 |
| S.AN.GE Soc. Cons. a r.l. | 3,734 | 3,729 |
| Sesamo S.p.A. | 33 | 0 |
| Sicura S.p.A. | 3 | 0 |
| **Receivables from intercompany financial current accounts** | **32,362** | **84,260** |
| Manutenzione Installazione Ascensori S.p.A. | 0 | 1,135 |
| SERVIZI OSPEDALIERI SpA | 2,515 | 595 |
| Manutencoop Private Sector Solutions S.p.A. | 1,317 | 24 |
| **Receivables for interest on intercompany loans** | **3,832** | **1,754** |
| Gruppo Sicura S.p.A. | 800 | 800 |
| CO.VE.DI. S.r.l. | 0 | 61 |
| Karabak | 2 | 0 |
| **Dividends to be collected** | **802** | **861** |
| **Receivables from others** | **961** | **115** |
| **Lien on Intesa Securitization** | **0** | **8,834** |
| **Receivable for transfer of the IT systems business unit** | **0** | **439** |
| **TOTAL CURRENT FINANCIAL ASSETS** | **38,129** | **96,535** |

Current accounts opened with Group Companies are mainly classified in this item, in which financial relations and receivables resulting from the sales of business units are settled. The balance in these accounts accrues interest at the 3-month Euribor plus a spread; it is repayable on demand and the financial current account contract expires at the end of the financial year, except where tacitly renewed.

Total current financial assets came to € 38,129 thousand. The change during the year is essentially due to:

- A decrease in intercompany loans to MIA S.p.A. which was transferred during the year, as described in paragraph 7;
- A decrease in the balance of pledged current accounts related to the collection service of the receivables assigned without recourse to Intesa San Paolo (€ 8,834 thousand). These accounts were released in 2014 after the already described exit from the previously existing assignment programme;
- A reduction in the balance of the intercompany financial current account held with subsidiary Servizi Ospedalieri S.p.A.;

- An increase in receivables due from Group companies for interest accrued on the subordinated loans granted to the subsidiaries Servizi Ospedalieri S.p.A. and Manutencoop Private Sector Solutions S.p.A. as described in note 9.

## 15. CASH AND CASH EQUIVALENTS

| *(in thousands of Euro)* | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Bank deposits on demand and cash on hand | 87,823 | 138,470 |
| Deposit with consortia | 4,818 | 11,365 |
| **TOTAL CASH AND CASH EQUIVALENTS** | **92,641** | **149,834** |

Bank deposits accrue interest at the respective short-term interest rates. Amounts deposited at Consorzio Cooperativo Finanziario Per Lo Sviluppo (C.C.F.S.) and Consorzio Nazionale Servizi (C.N.S.), included in the item ”Deposit with consortia”, also have the nature of available current accounts and accrue interest.
The fair value of cash and cash equivalents is therefore € 92,641 thousand (2013: € 149,834 thousand).
Amounts deposited at Consorzio Cooperativo Finanziario Per Lo Sviluppo (C.C.F.S.) and Consorzio Cooperative Costruzioni (C.C.C.), which constitute a part of the balance of deposit with Consortia have the nature of deposit on demand and accrue interest.

## 16. SHARE CAPITAL AND RESERVES

| | 2014 | 2013 |
|---|---|---|
| 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 2014 amounted to 109,149,600.
The Company does not hold own shares.

### Reserves and Retained Earnings

The table below shows changes in shareholders' equity reserves.

| *(in thousands of Euro)* | Share premium reserve | Legal Reserve | Other reserves | TOTAL RESERVES | Retained profits/losses |
|---|---|---|---|---|---|
| **At 31 December 2012** | **145,018** | **16,157** | **23,188** | **184,363** | **3,809** |
| 2012 Allocation of profits | | 1,312 | 24,933 | 26,246 | 0 |
| Total comprehensive profit/(loss) | | | 1,252 | 1,252 | 0 |
| Other transactions | | | (78) | (78) | 0 |
| **Al 31 December 2013** | **145,018** | **17,469** | **49,295** | **211,782** | **3,809** |
| 2013 Allocation of profits | | 267 | 5,082 | 5,350 | 0 |
| Total comprehensive profit/(loss) | | | (663) | (663) | 0 |
| **At 31 December 2014** | **145,018** | **17,736** | **53,714** | **216,469** | **3,809** |

It should be noted that:

- Other Reserves rise in relation to the allocation of profit from the previous year, for € 5,350 thousand;
- Total comprehensive profit/(loss) amounting to € 663 thousand includes actuarial losses for € 914 thousand, already net of tax effect.

### Nature and purpose of other reserves

| ***NATURE/DESCRIPTION (in thousands of Euro)*** | | | | **Summary of utilization in 3 previous years** | |
|---|---|---|---|---|---|
| | **Amount** | **Possibility of use** | **Amount available** | **For covering losses** | **For other reasons** |
| **Share Capital** | **109,150** | | | | |
| **Share Capital reserve:** | | | | | |
| • Share premium reserve | **145,018** | **A,B,C** | | | |
| **Profit reserves:** | | | | | |
| • Legal Reserve | 17,736 | B | 17,736 | | |
| • Extraordinary Reserve | 60,944 | B,C | 60,944 | | |
| • Other reserves | (7,229) | | | | |
| • Profits/-Losses carried forward | 3,809 | B,C | 3,809 | | |
| **TOTAL** | **329,428** | | | | |
| Non-distributable portion | 126,886 | | | | |
| Remaining distributable portion | 202,541 | | | | |

**KEY**
Possibility of use:
**A:** for share capital increase
**B:** to cover losses
**C:** for distribution to shareholders

## 17. EMPLOYEE TERMINATION INDEMNITY (TFR)

The company has no proper defined benefit pension plans.
However, the ESI provision set forth by art. 2120 of the Civil Code, from the point of view of recognition in the financial statements falls under the defined benefit plans category and, as such, has been accounted for, as illustrated in the accounting standards applied.
The tables below summarise the components of net cost of the benefit recorded in the income statement and the amounts recognised in the equity accounts in relation to employee termination indemnity.

Details of the net cost of the benefit, included in personnel costs, are shown below.

| *(in thousands of Euro)* | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Curtailment | (78) | 0 |
| Interest expenses on benefit obligation | 448 | 434 |
| **Net cost of the benefit recognized through profit or loss** | **370** | **434** |
| Net actuarial (gains)/ losses recognized in equity | 914 | (504) |
| **TOTAL NET BENEFIT COST** | **1,284** | **(70)** |

The financial costs of the obligation, social security costs and the curtailment are accounted for under personnel costs, while actuarial gains and losses are entered, as already specified, directly under an equity reserve.

Changes in the present value of the obligation for defined benefits (ESI) are as follows:

| *(in thousands of Euro)* | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Opening balance of the present value of the defined benefit obligation | 14,162 | 15,710 |
| Increases/ (decreases) for personnel acquired in the business combinations | 1,599 | 150 |
| Increases/ (decreases) for transfer | (55) | 95 |
| Benefits paid | (4,638) | (1,723) |
| Curtailment | (78) | 0 |
| Interest expenses on benefit obligation | 448 | 434 |
| Net actuarial gains (losses) recognised in the year | 914 | (504) |
| **CLOSING BALANCE OF THE PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATION** | **12,352** | **14,162** |

The main assumptions used in determining the obligation relating to employee termination indemnity are illustrated below:

| | % 2014 | % 2013 |
|---|---|---|
| Discount rate | 1.60% | 3.30% |
| Inflation rate | 1.50% | 2.00% |
| Turnover | 1.50% before the age of 50<br>11.50% after the age of 50 | 1.50% before the age of 50<br>11.50% after the age of 50 |

The discount rates used to assess the ESI 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 2014 the discount rate was equal to 1.6% (2013: 3.3%).

The estimated turnover rate varies according to the age of the participant in the plan, which is assumed as an average data on the basis of the composition of the population.

The effects on the ESI 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 2014 | + 0.25 bps | + 0.06 pps | 12,066 |
| | - 0.25 bps | - 0.06 pps | 12,650 |
| Financial year ended 31 December 2013 | + 0.25 bps | + 0.08 pps | 13,874 |
| | - 0.25 bps | - 0.08 pps | 14,459 |

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

| | 2014 | 2013 |
|---|---|---|
| Executives | 43 | 42 |
| Office workers | 972 | 863 |
| Manual workers | 13,272 | 12,223 |
| **EMPLOYEES** | **14,287** | **13,128** |

In 2014, the average number of leased personnel employed, including those shown in the table, stood at 533 (2013: 544).

## 18. PROVISIONS FOR RISKS AND CHARGES

The breakdown of the provisions for risks and charges in 2014 is shown below.

| *(in thousands of Euro)* | Risks on job orders | Pending disputes | Bonuses for employees | Investment risks | Corporate reconstruc. | Tax disputes | Employee legal proceedings | Other provisions | Total |
|---|---|---|---|---|---|---|---|---|---|
| **At 1 January 2014** | **10,934** | **3,022** | **3,485** | **60** | **150** | **971** | **2,804** | **447** | **21,874** |
| Provisions | 803 | 375 | 426 | | 4,617 | 54 | 1,933 | | 8,208 |
| Utilization | (1,851) | (38) | (2,002) | | (448) | (340) | (686) | (305) | (5,670) |
| Unused and reversed | (1,471) | (18) | (126) | | | | (718) | (93) | (2,426) |
| Other | (3,228) | | | 2,664 | 2,411 | | 121 | | 1,968 |
| **At 31 December 2014** | **5,187** | **3,341** | **1,783** | **2,724** | **6,730** | **685** | **3,454** | **49** | **23,954** |
| *Current 2014* | *4,830* | *339* | *1,097* | *2,724* | *6,730* | *685* | | *49* | *16,455* |
| *Non-current 2014* | *357* | *3002* | *686* | | | | *3,454* | | *4,499* |
| *At 31 December 2014* | *5,187* | *3,413* | *1,783* | *2,724* | *6,730* | *685* | *3,454* | *49* | *23,954* |
| *Current 2013* | *10,577* | *349* | *2,018* | *60* | *150* | *971* | | *447* | *14,573* |
| *Non-current 2013* | *357* | *2,673* | *1,467* | | | | *2,804* | | *7,301* |
| *At 31 December 2013* | *10,934* | *3,022* | *3,485* | *60* | *150* | *971* | *2,804* | *447* | *21,874* |

### Provision for risks on job orders

The provision of € 803 thousand is to cover risks relating to certain job orders in progress for charges that are likely to be incurred, in relation to customer disputes. The provisions made represent the best estimate on the basis of knowledge possessed at the reporting date.

### 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 and employees. In 2014 the provision was adjusted by an amount of € 375 thousand. Furthermore, some disputes were settled, which originated uses of € 38 thousand and releases of € 18 thousand.

### Bonuses for employees

The amount of € 426 thousand was set aside in respect of the estimated disbursement that will be made on the basis of the results obtained by company management and for which, an accurate amount cannot be defined annually, given that an incentive plan was set out linked to the achievement of medium-term objectives.

### Provision for investment risks

The provision to cover investments, amounting to € 60 thousand, includes the provision to cover any future losses of Alisei S.r.l. in liquidation. Furthermore, it should be pointed out that the year saw the reclassification of a provision of € 2,664 thousand from the provision for risks on job orders in relation to the future balancing of losses of a consortium company held by the Company.

### Provision for corporate reconstruction

This provision has been set aside to include the amounts due for severance employee costs and the costs of social shock absorbers set out under the Redundancy Scheme Act and unemployment benefits (CIG), relating to subordinate employees, within the context of the various reorganisation projects that involved the Company in the last years.

At 31 December 2014 the Company started an additional plan and, therefore, set aside provisions of € 4,617 thousand.

### Tax dispute provision

The provision for risks related to tax disputes is detailed below:

- At 31 December 2014 a provision of € 560 thousand was recognised against the tax dispute raised with the Turin Customs Agency against the payment notice issued by the latter, related to the non-payment of taxes and the provincial surcharge, plus interest and penalties. The aforementioned notice was challenged under appeal before the Provincial Tax Commission of Turin which fully cancelled the notice. The Customs Agency filed an appeal against the ruling before the Regional Tax Commission of Turin, which gave an unfavourable opinion against the Company. The Supreme Court also gave an unfavourable opinion against the Company and ordered it to pay the taxes due to an amount of € 340 thousand. The amount was paid out on 16 January 2015;
- € 45 thousand were allocated based on the tax dispute with Customs Agency of Turin, which arose following an administrative technical report on the Ivrea area.
- € 26 thousand concerning residual amounts for the tax notices, partially relieved, received for companies incorporated in previous years;
- An amount of € 54 thousand was set aside following the tax litigation for the Bitritto district as a result of objections raised against payments of excise duties.

### Provision for employee legal proceedings

The provision for risks related to employee legal proceedings, amounting to € 3,454 thousand, refers to the best estimation of liabilities as at 31 December 2014, whose risk is deemed to be likely, connected to ongoing labour law disputes.

### Other provisions for risks and charges

The provision, equal to € 49 thousand, includes the best estimate of future charges on some contracts on the basis of the information available as at the reporting date.

## 19. LOANS AND OTHER FINANCIAL LIABILITIES

The items a long-term Loans and Loans and other current financial liabilities include both the non-current and current portion of loans from credit and financial institutions or from debts to other lenders recorded in the financial statements in application of the financial method of recognizing leases, as well as other current financial debts such as, for example, the debt for the acquisition of investments or business units. The details are shown below:

| *(in thousands of Euro)* | Total 31.12.2014 | within 1 year | after 5 years |
|---|---|---|---|
| Senior Secured Notes | 370,280 | | 370,280 |
| Banca Popolare di Vicenza | 12,867 | 12,867 | |
| C.C.F.S. loan | 0 | | |
| MPS | 0 | | |
| Debt for the acquisition of investments / business units | 6 | 6 | |
| Investments' price adjustment | 725 | 725 | |
| Finance leasing obligations | 27 | 27 | |
| Advance payment on invoices | 2 | 2 | |
| Loan from Parent company/Subsidiaries | 17,376 | 17,376 | |
| Capital contribution to be paid | 5 | 5 | |
| Prepaid commissions on guarantees | (55) | (55) | |
| Accrued expenses | 13,458 | 13,458 | |
| **TOTAL LOANS** | **414,691** | **44,411** | **370,280** |

Loans existing as at 31 December 2013 are shown below:

| | Total 31.12.2014 | within 1 year | from 1 to 5 years | after 5 years |
|---|---|---|---|---|
| Senior Secured Notes | 427,130 | 15,022 | | 412,108 |
| C.C.F.S. loan | 17,987 | 17,987 | | |
| MPS | 19,978 | 4,993 | 14,985 | |
| Banca Popolare di Vicenza | 25,495 | 12,624 | 12,871 | |
| Debt for the acquisition of investments | 10,610 | 10,610 | | |
| Finance leasing obligations | 105 | 78 | 27 | |
| Advance payment on invoices | 129 | 129 | | |
| Current bank overdraft | 0 | | | |
| Loan from parent company/Subsidiaries | 24,292 | 24,292 | | |
| Other financial liabilities | 0 | | | |
| Financial liabilities measured at fair value through profit and loss | 23 | 23 | | |
| Due to factoring agencies | 8,277 | 8,277 | | |
| Capital contribution to be paid | 1,610 | 1,610 | | |
| Prepaid expenses from commissions on guarantees | (140) | (140) | | |
| **TOTAL LOANS** | **535,495** | **95,503** | **27,884** | **412,108** |

### High-Yield bond issue

On 22 July 2013 the Company announced the plan to issue High Yield bonds (Senior Secured Notes) due August 2020, to be offered solely to qualified investors, mainly in order to repay most of the existing bank loans and to finance net working capital, also replacing the assignments of revolving credit previously made for this purpose.

From a broader viewpoint, the Company embarked on the process of issuing these bonds in order to provide the Group with the financial cover necessary to conduct its business over a long-term time horizon.

On 26 July MFM S.p.A set the amount of the bond issue at € 425 million and set the issue price at 98.713% and the coupon at an annual fixed rate of 8.5% (payable on a six-monthly basis), through the publication of the Offering Memorandum.

The bond, which was issued on 2 August 2013, is listed on the Euro MTF Market of the Luxembourg Stock Exchange and on the Extra MOT Pro Segment of the Italian Stock Exchange.

In relation to the issue and placement process, which was regulated by the law of the State of New York (Rule 144A and Regulation S of the Security Act 1933), a purchase agreement was signed between the initial purchasers (J.P. Morgan Securities plc, UniCredit Bank AG, Banca IMI S.p.A. and Mediobanca – Banca di Credito Finanziario S.p.A.), which were also institutional investors, the issuer (MFM) and the guarantors (i.e. companies owned by the issuer that guarantee the bonds: Servizi Ospedalieri S.p.A. and Manutencoop Private Sector Solutions S.p.A.).

The bond was then placed by the initial purchasers only as specified below:

- With qualified institutional investors in the U.S.A., in application of Rule 144A of the U.S. Security Act;
- With qualified institutional investors outside the U.S.A., as defined by Regulation S of the U.S. Security Act.

Accordingly, a global bond certificate was published in application of Rule 144A and a global bond certificate was published in application of Regulation S.

At 31 December 2014 the portion of debt amounted to € 13,458 thousand related to the interest accrued on that date.

The debt due beyond five years, which amounted to € 370,280 thousand, was equal to the residual amount of the loan as at 31 December 2014 for € 380,000 thousand, net of any additional charges incurred for the bond issue of € 380 and of the discount on the loan, for an overall amount of € 9,720 thousand at 31 December 2014. The additional charges and the issue discount are amortized on the basis of a finance criterion.

To protect the investment of the Bondholders of the so-called notes, the rules governing the bond issue provide for a system of guarantees and restrictions (covenants). In fact, some limitations are envisaged on the financial operations of the Issuer and of its subsidiaries, while leaving the Company the freedom of movement insofar as the operations undertaken contribute, at least potentially, added value and cash flows to the Company. These restrictions consist of limitations on the possibility of incurrence of indebtedness and of making distributions of dividends, investments and some types of payments that fall outside the scope of the so-called Restricted Group payments. Furthermore, there are provisions in relation to the allocation of sums obtained from the transfer of fixed assets, extraordinary operations and transactions with related parties and the issue of collaterals to third parties on corporate assets. The restrictions in question lie not so much in the absolute prohibition on carrying out the abovementioned operations, but rather in checking for compliance with certain financial ratios (incurrence base financial covenants), the presence of certain conditions or a quantitative limit on the performance of the above operations. Finally, periodic disclosure obligations are provided for in relation to the Company's financial position, results of operation and cash flows. The limits and provisions envisaged in the rules governing the bond issue are in line with the market practice for similar operations.The failure by the Issuer to comply with one or more covenants, in addition to significant events that express a state of insolvency, constitute events of default. For the most of them, there is the possibility of remediation within a certain period of time. The event of default relating to the state of insolvency or the absence of remediation of any other events of default are a reason for acceleration, i.e. the forfeiture of the right to the time limit and the early redemption of the bonds. As at the reporting date of these financial statements, no events of default had occurred and the financial covenants, in relation to which no periodic check is required, had been complied with. Owing to the good financial performance after the issue, which provided surplus resources, and with a view to cutting borrowing costs on a prospective basis, in the last quarter of the year, the Company formalised the acquisition of some of its bonds on the open market, for a total nominal amount of € 45 million, at a weighted average buy-back price of just under 93% against an issue price equal to 98.713% on 2 August 2013. The transactions in question entailed the recognition of financial capital gains in the income statement, net of related commissions, equal to € 3.3 million thus giving rise to a proportional write-off of the upfront fees that had been accounted for at the time of the issue to an amount of € 1,2 million.

**Revolving Credit Facility**

In the framework of the bond issue process, on 31 July 2013 the Company also signed a 3-year Revolving Credit Facility (RCF) agreement that assured a revolving credit line, which can be activated on request, for a nominal amount of € 30.0 million with a pool of banks made up of UniCredit S.p.A., J.P. Morgan Chase Bank S.A. Milan Branch, Cassa di Risparmio in Bologna S.p.A. and Mediobanca – Banca di Credito Finanziario S.p.A.. as from the execution of the agreement, no use of the line has been requested from the lending banks. With effect from 30 July 2014, the Company informed the banks of the pool as to its intention to cancel said credit line. Therefore, the residual amount to be amortised in relation to the costs incurred for the registration of the line, equal to € 579 thousand, was accounted for as a financial cost for the period.

**CCFS loan**

During the 2013 financial year, the Parent Company MFM entered into a new loan agreement with Consorzio Cooperativo Finanziario per lo Sviluppo (CCFS) for a debt on account of capital of € 18,000 thousand, falling due in January 2016. The credit line was early repaid in the financial year.

**Banca Popolare di Vicenza loan**

In 2011 a long-term loan agreement was stipulated with Banca Popolare di Vicenza. The loan of € 50 million was obtained by Banca Popolare di Vicenza. The loan has variable interest rates. As at 31 December 2014 the carrying amount was € 12,869 thousand, net of accessory charges.

**MPS loan**

The loan with Banca Monte Paschi comprises a long-term credit line at a variable rate plus a spread amounting to € 25 million, used partially, and expiring on 22 December 2017. The credit line was early repaid in the course of the financial year.

### Debts for the acquisition of non-controlling interests/business units

This item, amounting to € 10,610 thousand at 31 December 2013, was almost fully written off in the course of the year, as a result of the payment of the price adjustment (earn-out) to the non-controlling quotaholders of Gruppo Sicura S.r.l., for a total amount of € 10,604 thousand, which took place on 16 July 2014.

### Investments' price adjustment

This item refers to the price adjustment relating to the transfer of the sub-holding company controlled by MIA SpA, which took place on 30 December 2014.

### Advance payments

This item showed a balance of € 2 thousand at 31 December 2014, against an amount of € 129 thousand at the end of the previous financial year. Bank overdraft and advance payments on current accounts are not backed by any guarantee. The operations of the same was linked, in the past, to temporary declines in liquid assets, within the flows of receipts and payments as at the balance sheet date.

### Accrued interest expenses

At 31 December 2014 the Company recognised accrued interest expenses of € 13,458 thousand relating to the amount accrued on the coupon of the Senior Secured Notes due 2 February 2015.

### Loans from Parent company and Subsidiaries

This item mainly refers to intragroup financial current accounts held with subsidiaries Manutecoop Private Sector Solutions S.p.A.. Financial payables are not secured and are repayable in a lump-sum at the end of the year, except in the case of a tacit renewal. It should be noted that the Company holds a financial account on which transactions with the controlling company Manutencoop Società Cooperativa are settled. The account accrues interest at the 3-month Euribor rate plus a spread. As at 31 December 2014 the balance due to the parent company amounted to € 26 thousand.

### Obligations deriving from finance leasing

Payables for leases refer to motor vehicles and plant and machinery used in the production process.

### Collections on behalf of factoring agencies - Credit Agricole Corporate & Investment Bank (Calyon) and Banca IMI

The debt balance at 31 December 2013, equal to € 8,277 thousand, related to receivables transferred under non-recourse factoring transactions on a revolving basis carried out by the Company, collected on behalf of the assignee and still not paid to the factor as at the balance sheet date. At the time of the gradual abandonment of the assignments in the course of the 2013 financial year and also as a result of the already described transaction involving the repurchase of the receivables not yet collected by Banca IMI, with the consequent termination of all the service operations, this debt at 31 December 2014 was equal to zero.

### Capital contribution to be paid

The Company recognized obligations for capital contribution to be paid to other investments for € 5 thousand.

## 20. TRADE PAYABLES AND ADVANCES FROM CUSTOMERS

The table below sets forth the breakdown of the item as at 31 December 2014 and 31 December 2013:

| *(in thousands of Euro)* | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Trade payables | 215,972 | 252,177 |
| Trade payables to Associates and Joint-ventures | 9,406 | 15,765 |
| Trade payables to Subsidiaries | 26,823 | 47,301 |
| Trade payables to Parent companies | 9,453 | 9,773 |
| Trade payables to Affiliates | 164 | 192 |
| Payables to customers for work to be performed | 6,076 | 6,510 |
| **TOTAL** | **267,893** | **331,718** |

At 31 December 2014 trade payable and advances from customers amounted to € 267,893 thousand against € 331,718 thousand at 31 December 2013.

Trade payables do not accrue interest and are settled for, on average, 90/120 days from the invoice date.

## 21. OTHER CURRENT LIABILITIES

The table below sets forth the breakdown of the item as at 31 December 2014 and 31 December 2013:

| (in thousands of Euro) | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Payables to employees | 39,797 | 35,798 |
| Payables to social security | 7,319 | 7,157 |
| Tax payables | 31,363 | 47,062 |
| Collections on behalf of ATI (“*Associazione temporanea di Imprese*”) | 11,821 | 16,276 |
| Other payables to Subsidiaries | 50 | 30 |
| Other payables to Parent Company | 76 | 4 |
| Other payables to Associates | 530 | |
| Payables to directors and statutory auditors | 155 | 136 |
| Property collection on behalf of customers | 2,176 | 2,176 |
| Other payables | 5,001 | 3,107 |
| Accrued expenses and prepaid income | 6 | 661 |
| **TOTAL** | **98,293** | **112,407** |

Collections on behalf of third parties relate to the sums collected by the company, on behalf of third parties, relating mostly to “Consip” job orders.

Other payables are settled after 30 days on average, excluding payables due to employees for accrued summer bonuses (14th monthly salary) and accrued wages and vacation leave paid at 6 months on average, and the amounts due to the Tax Authorities for deferred VAT payments settled at the moment of collection of the receivables.

## 22. REVENUES FROM SALES AND SERVICES

The breakdown of the item is shown below for the years ended 31 December 2014 and 31 December 2013:

| *(in thousands of Euro)* | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Integrated services - system and building maintenance | 146,964 | 145,495 |
| Cleaning and sanitation services | 295,157 | 301,137 |
| Heat management | 113,726 | 128,119 |
| Construction work | 61,403 | 92,508 |
| Plant construction and re-qualification work | 21,952 | 18,148 |
| Landscaping services | 5,392 | 8,943 |
| Porterage services | 5,552 | 11,191 |
| Asset management | 626 | 817 |
| Cemetery services | 1,187 | 1,229 |
| Other services | 75,876 | 77,001 |
| **TOTAL** | **727,834** | **784,588** |

The decrease in revenues from sales and services recorded in this item was attributable to the reduced volumes achieved in 2014.

## 23. OTHER OPERATING REVENUES

The breakdown of the item is shown below for the years ended 31 December 2013 and 2012:

| *(in thousands of Euro)* | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Reimbursement of damages | 511 | 154 |
| Gains on sales of property, plant and machinery | 38 | 119 |
| Grants | 482 | 982 |
| Other revenues | 2,277 | 1,020 |
| **TOTAL** | **3,308** | **2,274** |

As at 31 December 2014, the balance was € 3,308 thousand, compared to € 2,274 thousand in 2013.
The item “Other Revenue” mainly pertains to the recovery of costs for seconded personnel and the effects of some transactions executed and completed in the year.
An amount of € 482 thousand was recognised as operating grants, mainly relating to employee training projects.

## 24. COSTS OF RAW MATERIALS AND CONSUMABLES

The breakdown of the item is shown below for the years ended 31 December 2014 and 31 December 2013:

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Change in inventories of raw materials | (342) | (710) |
| Fuel consumption | (57,086) | (73,779) |
| Consumption of raw materials | (40,181) | (43,312) |
| Purchase of auxiliary materials and consumables | (4,878) | (5,739) |
| Other purchases | (1,761) | (2,017) |
| **TOTAL** | **(104,248)** | **(125,556)** |

As at 31 December 2014 the item amounted to € 104,248 thousand compared to € 125,556 thousand in 2013. The decrease in Consumption of Raw Materials is mainly due to the decreasing fuel costs, which were affected by the annual decrease in market prices.

## 25. COSTS FOR SERVICES AND USE OF THIRD PARTY ASSETS

The breakdown of the item is shown below for the years ended 31 December 2014 and 31 December 2013:

| *(in thousands of Euro)* | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Third-party services | (155,790) | (168,485) |
| Professional services | (35,027) | (35,515) |
| Consortia services | (38,717) | (44,058) |
| Utilities | (4,475) | (5,313) |
| Rent expense | (12,239) | (13,735) |
| Other personnel expenses | (6,031) | (6,573) |
| Transport | (144) | (261) |
| Equipment maintenance and repair | (4,502) | (5,559) |
| Insurance and sureties | (3,659) | (3,247) |
| Travel expenses and reimbursement of expenses | (2,116) | (2,227) |
| Advertising and marketing | (366) | (662) |
| Rentals and other | (2,327) | (2,589) |
| Directors’ and Statutory Auditors’ fees | (416) | (407) |
| Bank services | (109) | (106) |
| Bonuses and commissions | (12) | (11) |
| Other services | (67) | 662 |
| **TOTAL** | **(265.995)** | **(288.086)** |

For the year ended 31 December 2014, Costs for services totalled € 265,995 thousand against € 288,086 thousand in 2013, marking a decrease of € 22,091 thousand compared to the previous year, mainly due to lower costs for third party services. As early as in previous years the Company started up a process to increase insourcing of certain activities, which resulted in a change in the mix of production factors in favour of the cost of labour. At the same time, the Company has set targets for limiting overheads relating to its organizational structures, also by reducing recourse to professional services.

## 26. PERSONNEL COSTS

The breakdown of the item is shown below for the years ended 31 December 2014 and 31 December 2013:

| *(in thousands of Euro)* | **31 December 2014** | **31 December 2013** |
|---|---|---|
| Wages and salaries | (202,385) | (193,738) |
| Social security charges | (63,723) | (60,952) |
| Temporary and leased personnel | (29,784) | (30,398) |
| Other current benefits | (1,187) | (2,196) |
| **CURRENT BENEFITS** | **(297,079)** | **(287,284)** |
| Employment termination indemnity | (385) | (463) |
| Other subsequent benefits | 0 | 0 |
| **DEFINED BENEFITS** | **(385)** | **(463)** |
| Payments to employee pension funds | (12,124) | (11,808) |
| **DEFINED BENEFITS** | **(12,124)** | **(11,808)** |
| **EMPLOYMENT TERMINATION BENEFITS** | **(2,983)** | **(3,052)** |
| **TOTAL PERSONNEL COSTS** | **(312,571)** | **(302,607)** |

The financial year ended 31 December 2014 showed a balance of € 312,571 thousand against a balance of € 302,607 thousand in 2013. The portion of termination indemnity paid to the INPS and to supplementary pension funds is recognised under current benefits.

The financial year saw:

› a rise in the average number of workers, partly due to the insourcing process described in note 25, and partly due to the use of personnel in the changed contracts in the Hygiene segment;

› additional reorganisation efforts, which also entailed, in 2014, costs for mobility, extraordinary redundancy schemes and early retirement incentives.

## 27. OTHER OPERATING COSTS

The breakdown of the item is shown below for the years ended 31 December 2014 and 31 December 2013:

| *(in thousands of Euro)* | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Other operating costs | (2,338) | (2,015) |
| Fines and penalties | (1,564) | (1,501) |
| Taxes other than income taxes | (1,692) | (1,690) |
| Securitisation Credit discount | 0 | (503) |
| Capital losses on disposals of assets | (115) | (65) |
| Losses on receivables | (33) | (126) |
| **TOTAL** | **(5,742)** | **(5,900)** |

At 31 December 2014 Other operating costs amounted to € 5,742 thousand (€ 5,900 thousand at 31 December 2013) and remained substantially unchanged compared to the previous year.
In this regard, it should be noted that credit discount costs connected to the assignments of trade receivables without recourse were written off, as a result of the exit, as early as at the end of the previous year, from the plans for revolving assignments in place with Crédit Agricole Corporate & Investment Bank and Banca IMI.

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

The breakdown of the item is shown below for the years ended 31 December 2014 and 31 December 2013:

| *(in thousands of Euro)* | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Amortization intangible assets | (5,791) | (6,205) |
| Write-down of equity investments in Group companies | (3,199) | (13,099) |
| Write-downs of trade receivables | (1,598) | (1,972) |
| Depreciation of property, plant and equipment | (3,163) | (3,493) |
| Depreciation leased property, plant and equipment | (66) | (126) |
| Impairment of Intangible Assets | (4,418) | 0 |
| Impairment of Property, Plant and Equipment | (23) | 0 |
| Write-backs of assets | 6,212 | 0 |
| Transfer of bad debt provision | 9 | 218 |
| **TOTAL** | **(12,038)** | **(24,676)** |

The item Amortization/depreciation, write-downs and write-backs of assets amounted to € 12,038 thousand in 2014 from € 24,676 thousand in 2013.

The item ‘Write-down of Group equity investments’ mainly includes value adjustments recorded in relation to the following companies:

- € 2,171 thousand related to the subsidiary Società Manutenzione Illuminazione S.p.A.;
- € 828 thousand related to the subsidiary Maco S.p.A.;
- € 103 thousand related to the subsidiary UFS - United Facility Solutions;
- € 76 thousand related to the subsidiary Grid Modena S.r.l..

A decrease was recorded in the Write-down of receivables, from 1,972 thousand to € 1,598 thousand. The decrease in the write-downs of trade receivables was mainly due to a lower risk of the receivables recognized, while, at the same time, in the previous year this item had been affected by the write-downs on some significant credit positions towards bankrupt customers.

In the year, impairment losses of tangible and intangible assets were recognised totalling € 4,441 thousand, relating to the write-off of the residual net value of specific software used in the facility management operations, which proved to be no longer suitable and strategic to be used for company business purposes, as explained in note 6.

## 29. DIVIDEND AND INCOME (LOSS) FROM SALES OF INVESTMENTS

| *(in thousands of Euro)* | 31 December 2014 | 31 December 2013 |
| --- | --- | --- |
| **Dividends** | **12,619** | **13,042** |

Dividends pertaining to the year derive from subsidiaries and associates for € 12,318 thousand and other equity investments (€ 301 thousand).

The details are shown below, compared with 2013:

| *(in thousands of Euro)* | 31 December 2014 | 31 December 2013 |
| --- | --- | --- |
| **Company** | | |
| Telepost S.p.A. | 4,376 | 4,237 |
| Manutencoop Private Sector Solutions S.p.A. | 2,952 | |
| Roma Multiservizi S.p.A. | 1,510 | 1,727 |
| Servizi Ospedalieri S.p.A. | 1,880 | 4,920 |
| Gruppo Sicura | 1,600 | 1,600 |
| Gico System | | 10 |
| **TOTAL DIVIDENDS – GROUP COMPANIES** | **12,318** | **12,494** |

| *(in thousands of Euro)* | 31 December 2014 | 31 December 2013 |
| --- | --- | --- |
| **Company** | | |
| Golfo Aranci S.p.A. | 2 | |
| Co.ve.di. S.r.l. | | 33 |
| Progetto Vallata | | 239 |
| Genesi Uno | 213 | 274 |
| CIICAI | 5 | 0 |
| Consorzio Cooperativo Finanziario per lo Sviluppo | 1 | 1 |
| Consorzio Coop. Costruzioni | 80 | |
| Consorzio Nazionale Servizi | | 1 |
| **TOTAL DIVIDENDS - OTHER COMPANIES** | **301** | **548** |

## 30. FINANCIAL INCOME

The breakdown of the item is shown below for the years ended 31 December 2014 and 31 December 2013:

| *(in thousands of Euro)* | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Interest on trade receivables | 938 | 322 |
| Interest on loans and intercompany current accounts | 8,458 | 5,907 |
| Interest from discounting of non-interest bearing loans | 438 | 40 |
| Interest on bank current accounts | 493 | 463 |
| Capital gains on securities | 3,400 | |
| Income from derivatives | | 132 |
| Other financial income | 186 | 11 |
| **TOTAL OTHER FINANCIAL INCOME** | **13,912** | **6,875** |

*Financial income* recorded an increase compared to the same period in the previous year, equal to € 7,037 thousand, mainly connected to the buy-back of bonds on the open market for € 45 million, which entailed the recognition of financial income of € 3,400 thousand, as described in note 19.

The interest from the discounting of non-interest bearing and trade receivables improved, the former (€ 398 thousand) after the release of the provision set aside owing to shorter collection times and the latter (€ 616 thousand) owing to the fact that the interest accounted for during the period was not written down, differently from the previous period.

## 31. FINANCIAL CHARGES

| *(in thousands of Euro)* | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Loans | (36,597) | (23,054) |
| Other financial charges | (4,768) | (6,344) |
| Bank loans and current account overdrafts | (4) | (1) |
| Financial charges on Group financial accounts | (1,143) | (1,449) |
| Financial charges on finance leases | (0) | (2) |
| **TOTAL FINANCIAL EXPENSES** | **(42,512)** | **(30,850)** |

In 2014 Financial charges recorded an increase of € 11,662 thousand compared to the previous financial year. The main change relates to the recognition of charges relating to the bond issue, as described under note 19.

It should be noted that the year saw the write-off of interest discount costs connected to the assignments of trade receivables without recourse, as a result of the abandonment, as early as at the end of the previous year, of the revolving assignments programmes in place with Crédit Agricole Corporate & Investment Bank and Banca IMI and of charges from derivatives, which had been terminated in the previous year.

## 32. PROFIT (LOSS) FROM DISCONTINUED OPERATIONS

The transfer of the stake held in MIA S.p.A. gave rise to the recognition of a capital gain, in the Statement of Profit/Loss for the year, net of additional operating costs of the transaction, equal to € 7,691 thousand. This item also includes an amount of € 106 thousand of current taxes due in relation to the taxation of the capital gain on disposal of equity investments, which, for IRES tax purposes, is expected to be equal to 5% in the application of the participation exemption regime.

## 33. TAXES

The breakdown of the income taxes is shown below for the years ended 31 December 2014 and 31 December 2013.

| | 31-Dec-14 | 31-Dec-13 |
|---|---|---|
| Current IRES tax | 4,903 | 10,956 |
| Current IRAP tax | 7,034 | 9,623 |
| (Income) charges from tax consolidation | (1,034) | (1,428) |
| Adjustment to current taxes of previous years | (3,004) | (220) |
| **Current taxes** | **7,899** | **18,931** |
| Prepaid/deferred IRES tax | (4,829) | (1,484) |
| Prepaid/deferred IRAP tax | 288 | (97) |
| Prepaid/deferred taxes relating to previous years | 86 | 78 |
| **Prepaid/(deferred) taxes** | **(4,456)** | **(1,502)** |
| **CURRENT, PREPAID AND DEFERRED TAXES** | **3,443** | **17,430** |

The reconciliation between IRES tax and IRAP tax recorded and theoretical tax resulting from application of the tax rate in force for the years ended 31 December 2014 and 31 December 2013 to pre-tax profit is as follows:

| ***Reconciliation between theoretical and actual IRES tax rate*** | **31 December 2014** | | **31 December 2013** | |
|---|---|---|---|---|
| | | **%** | | **%** |
| **Pre-tax profit** | **8,790** | | **22,779** | |
| Ordinary rate applicable | | 27.50% | | 27.50% |
| Effect of increases (decreases): | | | | |
| - Temporary differences | 26,602 | 83.23% | 10,143 | 16.41% |
| - Permanent differences | (21,323) | -66.71% | (1,726) | -2.08% |
| **IRES taxable income** | **14,069** | | **39,841** | |
| **ACTUAL RATE / TAX** | **3,869** | **44.02%** | **9,528** | **41.83%** |

| *Reconciliation between theoretical and actual IRAP tax rate* | 31 December 2014 | | 31 December 2013 | |
|---|---|---|---|---|
| | | % | | % |
| **Pre-tax profit** | **8,790** | | **22,779** | |
| Ordinary rate applicable | | 1.17% | | 1.17% |
| | | 2.78% | | 2.98% |
| | | 2.80% | | 3.44% |
| | | 3.90% | | 3.90% |
| | | 4.66% | | 4.60% |
| | | 4.73% | | 4.73% |
| | | 4.82% | | 4.82% |
| | | 4.97% | | 4.97% |
| Effect of increases (decreases): | | | | |
| - Labour cost | 314,451 | | 302,607 | |
| - Provisions | | | | |
| - Balance from financial management | 3,915 | | 10,935 | |
| - Other differences between taxable base and pre-tax result | (158,134) | | (107,131) | |
| | | | | |
| **IRAP taxable income** | **169,022** | | **229,190** | |
| - of which at 1.17% | 1,283 | | 2,692 | |
| - of which at 2.78% | 992 | | 1,398 | |
| - of which at 2.80% | 3,188 | | 4,559 | |
| - of which at 3.90% | 107,205 | | 135,758 | |
| - of which at 4.66% | 1,448 | | 0 | |
| - of which at 4.73% | 3,504 | | 6,068 | |
| - of which at 4.82% | 44,615 | | 66,849 | |
| - of which at 4.97% | 6,787 | | 11,866 | |
| **Actual rate / Tax** | **7,034** | **80.02%** | **9,623** | **4.20%** |

The IRES tax rate for the year, i.e. the tax burden on the Net Profit came to 44.02%, with an increase compared to 31 December 2014, when it stood at 41.83%. The rate includes the positive effect due to tax revenues reported after the Company presented a supplementary declaration to the 2014 Modello Unico tax return, after the recent clarification provided in Ministerial Circular Letter no. 31/E of 24 September 2013. Finally, it should be noted that in the 2014 financial year the profit was significantly affected by capital gains from the transfer of equity investments on which IRES (Corporate Income) tax under the participation exemption regime is therefore 5% of the taxable base.

## 34. DEFERRED TAXES

The breakdown of the prepaid and deferred taxes as at 31 December 2014 and at the end of the previous year is shown below:

| *Prepaid and deferred taxes* | Equity Tax Effect | | Economic Tax Effect | |
|---|---|---|---|---|
| | 31 December 2014 | 31 December 2013 | 31 December 2014 | 31 December 2013 |
| **Prepaid taxes:** | | | | |
| Multi-year costs | 315 | 30 | 345 | 281 |
| Finance lease | | | | - |
| Presumed losses on receivables | 4,240 | (151) | 4,089 | 3,997 |
| Provisions for risks and charges | 5,011 | 604 | 4,920 | 3,925 |
| Write-downs on asset items | 1,221 | (1,221) | | - |
| Discounting-back of receivables | | 2 | 2 | 2 |
| Fees of Directors, Statutory Auditors and Independent Auditors | 123 | (1) | 123 | 77 |
| Services not completed | | | | |
| Amortization | 1 | | 1 | 1 |
| Adjustments to job order margin | | | | - |
| Interest expense | 6,075 | (5,617) | 457 | 87 |
| Employee benefits and length of service bonuses | | | | - |
| Substitute tax | | 1,385 | 1,385 | 1,385 |
| Restructuring fund | 491 | 464 | 955 | 964 |
| Cash flow hedge valuation | | | | 336 |
| Cash cost deduction | 13 | 19 | 32 | 33 |
| Other temporary differences | 1,172 | (211) | 960 | 975 |
| **Total prepaid taxes** | **18,662** | **(4,697)** | **13,269** | **12,063** |
| **Deferred taxes:** | | | | |
| Tax amortisation | | | - | - |
| IFRS work in progress valuation | | | | - |
| Lease for tax purposes | (46) | (3) | (49) | (52) |
| Employee benefit discounting | | (541) | (541) | (403) |
| Goodwill amortisation | (7,922) | 617 | (6,428) | (5,804) |
| Purchase Price Allocation (PPA) | (2.183) | (75) | (2.258) | (2.901) |
| Capital gains - deferred taxation | (8) | | (9) | (9) |
| Other temporary differences | (208) | (11) | (218) | (184) |
| **Total deferred taxes** | **- 10,367** | **(13)** | **(9,503)** | **(9,353)** |
| **Net prepaid/(deferred) taxes** | **8,295** | **(4,710)** | **3,766** | **2,710** |

## 35. COMMITMENTS AND CONTINGENT LIABILITIES

### Financial lease

The Company signed finance leases for motor vehicles. The table below details the amount of future rental fees deriving from finance leases and the current value of these fees:

| *(in thousands of Euro)* | 2014 | | 2013 | |
|---|---|---|---|---|
| | Rental fees | Current value of rental fees | Rental fees | Current value of rental fees |
| Within one year | 28 | 27 | 79 | 79 |
| From one year to five years | | | 28 | 27 |
| **Total lease assets** | **28** | **27** | **107** | **105** |
| Financial Charges | (1) | | (2) | |
| Current value of rental fees | 27 | 27 | 105 | 105 |

### Guarantees given

The Company has the following contingent liabilities as at 31 December 2014:

- it granted sureties for bank overdrafts and to secure the obligations of subsidiaries and associates for a maximum amount of € 16,399 thousand (2013: € 5,170 thousand);
- it granted sureties granted to third parties to ensure the correct fulfilment of contract obligations in place with customers, as well as for VAT refunds from Inland Revenue Agency, for a total amount of € 184,516 thousand (2013: € 195,735 thousand);
- guarantee in favour of Crédit Agricole Corporate & Investment Bank to ensure correct fulfilment of factoring contracts equal to € 1,500 thousand.

The total exposure of guarantees granted to third parties comes to € 187,566 thousand. It is not believed that any liabilities will emerge.

The Company have issued, in favour of the bondholders, described under note 19, the following collaterals:

- first-recorded pledge on the shares held by Manutencoop Private Sector Solutions S.p.A., equal to 100% of the capital of the same;
- first-recorded pledge on the shares held by Servizi Ospedalieri S.p.A., equal to 100% of the capital of the same;
- assignment as security of receivables from private customers claimed by the Company. At 31 December 2013 the receivables were equal to € 70,634 thousand;
- execution of a deed of pledge on the current account held by the Company with Unicredit S.p.A., which were credited with the amounts concerning the private customers assigned as security. At 31 December 2014 the current account reported a balance of € 6,435 thousand;
- an assignment of receivables as security, which arise from shareholders' loans (Proceeds Loan) disbursed to Manutencoop Private Sector Solutions S.p.A. (€ 16,907 thousand), Servizi Ospedalieri S.p.A. (€ 32,274 thousand), and of any and all proceeds arising therefrom.

On 29 September 2014, the guarantees issued to the Lending Banks that had granted the Revolving Credit Facility were formally cancelled. This took place after the facility had been voluntarily cancelled on 30 July 2014, and therefore all the relative guarantees (assignment of receivables as security and establishment of a pledge over current accounts), which had been previously shared between bondholders and the Lending Banks of the Revolving Credit Facility, remain such only to the bondholders. On the contrary, MFM S.p.A.'s movable assets, previously subject to a lien in the framework of the arrangement became fully available to the company again.

Furthermore, Manutencoop Private Sector Solutions S.p.A. and Servizi Ospedalieri S.p.A. issued personal securities amounting to a maximum total corresponding to the amount of the Proceeds Loans, equal to € 16,907 thousand and € 32,274 thousand, respectively.

The guarantees listed above may be enforced 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 Company. At 31 December 2014 no events of default had occurred.

## 36. TRANSACTIONS WITH RELATED PARTIES

### Terms and conditions of transactions with related parties

| PARENT COMPANY | | Revenues | Costs | Financial Income | Financial Expenses | Trade receivables | Financial receivables and others | Trade payables | Financial payables and others |
|---|---|---|---|---|---|---|---|---|---|
| Manutencoop Cooperativa | 31-Dec-14 | 159 | 33,812 | | 57 | 113 | 17,112 | 9,453 | 102 |
| | 31-Dec-13 | 113 | 34,393 | | 191 | 8,885 | 9,777 | | 143 |
| **TOTAL PARENT COMPANY** | **31-Dec-14** | **159** | **33,812** | **0** | **57** | **113** | **17,112** | **9,453** | **102** |
| | **31-Dec-13** | **113** | **34,393** | **0** | **191** | **8,885** | **9,777** | **0** | **143** |

| SUBSIDIARIES | | Revenues | Costs | Financial Income | Financial Expenses | Trade receivables | Financial receivables and others | Trade payables | Financial payables and others |
|---|---|---|---|---|---|---|---|---|---|
| Alisei S.r.l. | 31-Dec-14 | | | | | | | | |
| | 31-Dec-13 | (1) | | | | 3 | | | |
| Co.Ge.F. soc.cons.a r.l. | 31-Dec-14 | 4,292 | 3,715 | | | 1,801 | | 1,588 | |
| | 31-Dec-13 | 10,511 | 10,326 | | | 10,425 | 11,756 | | |
| Cons. Igiene Ospedaliera Soc.Cons.a r.l. | 31-Dec-14 | 1,001 | 455 | | | 323 | 1 | 325 | |
| | 31-Dec-13 | 695 | 258 | | | 635 | 370 | 1 | |
| Cons. Imolese Pulizie Soc.Cons.a r.l. | 31-Dec-14 | | | | | | | | |
| | 31-Dec-13 | | | | | 138 | 48 | 36 | |
| Cons. Servizi Toscana Soc.Cons.a r.l. | 31-Dec-14 | 97 | 123 | | | | | 151 | |
| | 31-Dec-13 | 101 | 157 | | | 624 | 188 | | |
| Consorzio Sermagest Servizi Manutentivi Gestionali | 31-Dec-14 | | | | | | | | |
| | 31-Dec-13 | | | | | | | | |
| Gestlotto 6 Soc.Cons.a r.l. | 31-Dec-14 | | | | | | | | |
| | 31-Dec-13 | | 4 | | | 6 | 43 | 20 | - |
| Global Oltremare Soc.Cons.a.r.l. | 31-Dec-14 | 23 | 628 | | | 57 | | 586 | |
| | 31-Dec-13 | 23 | 421 | | | 24 | 385 | - | - |
| Ferraria Soc.Cons.a r.l. | 31-Dec-14 | 664 | 725 | | | 664 | | 725 | |
| | 31-Dec-13 | | | | | | | | |
| Sicura S.p.A | 31-Dec-14 | 524 | 1,591 | 3 | | 377 | 823 | 1,132 | |
| | 31-Dec-13 | 0 | 1,026 | | | | 1,395 | | |
| Gymnasium Soc.Cons.a r.l. | 31-Dec-14 | | | | | 1 | 33 | 7 | 5 |
| | 31-Dec-13 | | | | | 1 | 33 | 7 | 5 |
| Isom Gestione Soc.Cons.a.r.l. | 31-Dec-14 | 7,236 | 5,408 | | | 5,329 | | 3,030 | |
| | 31-Dec-13 | 9,454 | 7,919 | | | 6,961 | 4,922 | | |
| Isom Lavori Soc.Cons.a.r.l. | 31-Dec-14 | 5,881 | 5,201 | | | 327 | | 825 | |
| | 31-Dec-13 | 3,695 | 3,278 | | | 3,300 | 2,414 | | |
| MACO S.p.A. | 31-Dec-14 | 73 | 252 | 130 | | 26 | 1,911 | 13 | |
| | 31-Dec-13 | 232 | 358 | 94 | 0 | 82 | 112 | 2,279 | - |
| Manutencoop Private Sector Solutions S.p.A. | 31-Dec-14 | | | | | 8,367 | 17,832 | 296 | 13,253 |
| | 31-Dec-13 | 89,801 | 1,138 | 616 | 842 | 26,497 | 333 | 17,012 | 13,033 |
| Manutenzione Installazione Ascensori S.p.A. | 31-Dec-14 | 788 | 1,839 | 1,900 | | 516 | | 633 | |
| | 31-Dec-13 | 752 | 802 | 1,183 | | 455 | 410 | 34,372 | - |

| SUBSIDIARIES | | Revenues | Costs | Financial Income | Financial Expenses | Trade receivables | Financial receivables and others | Trade payables | Financial payables and others |
|---|---|---|---|---|---|---|---|---|---|
| Palmanova servizi energetici soc.cons. r.l. | 31-Dec-14 | 325 | 1,174 | | | 448 | | 402 | |
| | 31-Dec-13 | 345 | 1,278 | | | 53 | 969 | | |
| S.AN.CO. Soc. Conso a r.l. | 31-Dec-14 | 66 | | | | 2,721 | 70 | 3,150 | |
| | 31-Dec-13 | 182 | - 175 | | | 2,641 | - 70 | 3,150 | |
| S.AN.GE Soc. Cons. a r.l. | 31-Dec-14 | 21,225 | 13,303 | 157 | | 6,178 | 3,734 | 4,453 | |
| | 31-Dec-13 | 20,073 | 12,564 | 148 | | 9,848 | 3,949 | 3,729 | |
| Servizi Brindisi soc.cons.a r.l. | 31-Dec-14 | | 204 | | | 264 | | 181 | |
| | 31-Dec-13 | 133 | 1,382 | | | 245 | 1,142 | | |
| Servizi Marche Soc.Cons.a r.l. | 31-Dec-14 | 12 | | | | | | | |
| | 31-Dec-13 | 0 | | | | 12 | 3 | | |
| Servizi Ospedalieri S.p.A. | 31-Dec-14 | 2,506 | 128 | 4,063 | | 1,281 | 48,505 | 98 | 55 |
| | 31-Dec-13 | 1,698 | - 183 | 2,794 | - 81 | 1,490 | 204 | 64,605 | 1,454 |
| Servizi Taranto Soc. Cons. a r.l. | 31-Dec-14 | 1,727 | 4,338 | | | 2,603 | | 2,688 | |
| | 31-Dec-13 | 1,802 | 4,241 | | | 4,520 | 5,015 | | |
| Simagest 2 Soc.Cons.a r.l. | 31-Dec-14 | | | | | 208 | 79 | 4 | 1 |
| | 31-Dec-13 | | | | | 283 | 4 | | |
| Simagest 3 Soc.Cons.a r.l. | 31-Dec-14 | | | | | 2 | | 3 | |
| | 31-Dec-13 | | | | 2 | 3 | | | |
| Società Manutenzione Illuminazione S.p.A. | 31-Dec-14 | 206 | 14 | 508 | | 89 | 12,167 | 14 | |
| | 31-Dec-13 | 432 | | 521 | | 256 | | 9,209 | |
| Telepost S.p.A. | 31-Dec-14 | 2,213 | 363 | | 219 | 726 | 30 | 156 | 4,090 |
| | 31-Dec-13 | 1,961 | 350 | | 373 | 655 | 192 | | 9,662 |
| Logistica Sud-Est Soc. Cons. a r.l. | 31-Dec-14 | 800 | 1,773 | | | 191 | | 363 | |
| | 31-Dec-13 | 423 | 964 | | | 249 | 525 | | |
| COFAM S.r.l. | 31-Dec-14 | | 110 | | | | | 81 | |
| | 31-Dec-13 | | 86 | | | | 30 | | |
| Evimed S.r.l. | 31-Dec-14 | 23 | 201 | | | 13 | | 92 | |
| | 31-Dec-13 | | 238 | | | | 118 | | |
| Firing S.r.l. | 31-Dec-14 | 15 | 11 | | | 9 | | 6 | |
| | 31-Dec-13 | | 6 | | | | 19 | | |
| MCF Servizi Integrati Soc. Cons. a r.l. | 31-Dec-14 | 7,656 | 8,892 | | | 6,523 | | 6,343 | |
| | 31-Dec-13 | 5,863 | 6,979 | | | 4,831 | 5,311 | | |
| KANARIND Soc. Cons.rl | 31-Dec-14 | 7,310 | 6,027 | | | 8,324 | | 2,429 | |
| | 31-Dec-13 | 8,585 | 7,068 | | | 10,114 | 7,691 | | |
| Leonardo S.r.l. | 31-Dec-14 | 43 | 146 | | | 18 | | 125 | |
| | 31-Dec-13 | | 9 | | | | 5 | | |
| Nettuno Ascensori S.r.l. | 31-Dec-14 | | 177 | | | | 113 | | |
| | 31-Dec-13 | | 260 | | | | 161 | | |
| Sicurama S.r.l. | 31-Dec-14 | - | - | - | - | - | - | - | - |
| | 31-Dec-13 | 7 | 243 | | | 4 | 135 | | |
| Securveneta S.r.l. | 31-Dec-14 | - | - | - | - | - | - | - | - |
| | 31-Dec-13 | | 3 | | | | 3 | | |
| Sedda S.r.l. | 31-Dec-14 | - | - | - | - | - | - | - | - |
| | 31-Dec-13 | | 10 | | | | 5 | | |
| Servizi L'Aquila Soc. Cons. a r.l. | 31-Dec-14 | 91 | 182 | | | 51 | | 106 | |
| | 31-Dec-13 | 113 | 232 | | | | 83 | 155 | |
| Unilift S.r.l. | 31-Dec-14 | 5 | 224 | | | 3 | | 122 | |
| | 31-Dec-13 | 5 | 178 | | | 4 | 193 | | |
| **TOTAL SUBSIDIARIES** | **31-Dec-14** | **64,044** | **56,296** | **6,761** | **219** | **46,726** | **85,298** | **29,296** | **17,405** |
| | **31-Dec-13** | **156,772** | **61,189** | **5,356** | **1,137** | **84,357** | **48,013** | **134,421** | **24,154** |

| JOINT VENTURES | | Revenues | Costs | Financial Income | Financial Expenses | Trade receivables | Financial receivables and others | Trade payables | Financial payables and others |
|---|---|---|---|---|---|---|---|---|---|
| Cardarelli Soc. Cons. a r. l. | 31-Dec-14 | - | 1,395 | - | - | - | - | 403 | - |
| | 31-Dec-13 | - | 1,148 | - | - | - | 1,043 | - | - |
| Consorzio Leader Soc.Cons.a r.l. | 31-Dec-14 | | | | | 14 | | 6 | |
| | 31-Dec-13 | 0 | - | - | - | 13 | 6 | - | - |
| DUC Gestione Sede Unica Soc.Cons.a r.l. | 31-Dec-14 | - | - | - | - | - | - | - | - |
| | 31-Dec-13 | 5,132 | 2,579 | - | 0 | 7,014 | 411 | - | - |
| Legnago 2001 Soc.Cons.a r.l. | 31-Dec-14 | - | - | - | - | - | - | - | - |
| | 31-Dec-13 | - | - 6 | - | - | 216 | 78 | - | - |
| Malaspina Energy Soc. Cons. a r.l. | 31-Dec-14 | - | - | - | - | - | - | - | - |
| | 31-Dec-13 | - 0 | 61 | 4 | - | 1,247 | 187 | 172 | - |
| SCAM Soc.Cons. a r.l. | 31-Dec-14 | | | | | 7 | | | |
| | 31-Dec-13 | - | - | - | - | 7 | - | - | - |
| Serena s.r.l. in liquidation | 31-Dec-14 | | | | | 49 | | | |
| | 31-Dec-13 | - | - | - | - | 49 | - | - | - |
| CO. & MA. Soc. Cons. a r.l | 31-Dec-14 | 360 | 1,094 | | | 439 | | 1,094 | |
| | 31-Dec-13 | - | - | - | - | - | - | - | 4 |
| **TOTAL JOINT VENTURES** | **31-Dec-14** | **360** | **2,489** | **0** | **0** | **509** | **0** | **1,503** | **0** |
| | **31-Dec-13** | **5,132** | **3,782** | **4** | **0** | **8,546** | **1,724** | **172** | **4** |

| ASSOCIATES | | Revenues | Costs | Financial Income | Financial Expenses | Trade receivables | Financial receivables and others | Trade payables | Financial payables and others |
|---|---|---|---|---|---|---|---|---|---|
| Bologna Gestione Patrimonio soc.cons.r.l. | 31-Dec-14 | 75 | 129 | | | 198 | | 124 | |
| | 31-Dec-13 | 75 | 87 | - | - | 198 | 60 | - | - |
| Bologna Multiservizi soc.cons.a r.l. | 31-Dec-14 | 102 | 488 | | | 174 | | 1,686 | |
| | 31-Dec-13 | 1,386 | 4,233 | - | - | 2,082 | 5,206 | - | - |
| Como Energia Soc.Cons.a r.l. | 31-Dec-14 | | 892 | | | | | 599 | |
| | 31-Dec-13 | - | 1,044 | - | - | - | 655 | - | - |
| Gico Systems S.r.l. | 31-Dec-14 | 7 | 613 | | | 4 | | 279 | |
| | 31-Dec-13 | 7 | 505 | - | - | 7 | 315 | - | - |
| Global Provincia di RN Soc.Cons.a r.l. | 31-Dec-14 | | | | | 251 | 70 | 18 | |
| | 31-Dec-13 | - | - | - | - | 251 | 18 | 170 | - |
| Global Riviera Soc.Cons.a r.l. | 31-Dec-14 | | 60 | | | 55 | | 117 | |
| | 31-Dec-13 | 7 | 14 | - | - | 8 | - 177 | - | - |
| Global Vicenza soc.cons.r.l. | 31-Dec-14 | 214 | 1,396 | | | 163 | | 603 | |
| | 31-Dec-13 | 210 | 1,461 | - | - | 16 | 595 | - | - |
| Grid Modena S.r.l. | 31-Dec-14 | | | | | 18 | | | |
| | 31-Dec-13 | 74 | 128 | - | - | 118 | - | - | - |
| HEADMOST Divisione Service Facility Management S.p.A. | 31-Dec-14 | | | | | 454 | | | |
| | 31-Dec-13 | - | - | - | - | 454 | - | - | - |
| Livia soc.cons.r.l. | 31-Dec-14 | 10 | 122 | | | 115 | | 257 | |
| | 31-Dec-13 | 155 | 1,033 | - | - | 101 | 868 | - | - |

| ASSOCIATES | | Revenues | Costs | Financial Income | Financial Expenses | Trade receivables | Financial receivables and others | Trade payables | Financial payables and others |
|---|---|---|---|---|---|---|---|---|---|
| Logistica Ospedaliera Soc.Cons.a.r.l. | 31-Dec-14 | | 426 | | | | | 92 | |
| | 31-Dec-13 | - | 404 | - | - | - | | 94 | - |
| Newco DUC Bologna S.p.A. | 31-Dec-14 | | 7 | | | | | 21 | |
| | 31-Dec-13 | - | 7 | - | - | - | - | 15 | - |
| P.B.S. s.c.r.l. | 31-Dec-14 | | | | | | | 7 | |
| | 31De-13 | - | - | - | - | - | | 3 | - |
| Perimetro Gestione Proprietà Immobiliari Soc. Cons. p. A. | 31-Dec-14 | 289 | - | - | - | - | - | - | - |
| | 31-Dec-13 | 438 | - | - | - | 236 | - | - | - |
| Progetto Isom S.p.A. | 31-Dec-14 | 227 | | 13 | | 72 | 206 | | |
| | 31-Dec-13 | 214 | - | 8 | - | 295 | - | 192 | - |
| Progetto Nuovo Sant'Anna s.r.l. | 31-Dec-14 | 174 | | 118 | | 104 | 4,671 | | |
| | 31-Dec-13 | 170 | - | 119 | - | - | 8 | 5,402 | - |
| Roma Multiservizi S.p.A. | 31-Dec-14 | 1,623 | 2,232 | | | 519 | 529 | 1,945 | |
| | 31-Dec-13 | 1,489 | 4,797 | - | - | 450 | 3,613 | - | - |
| Savia Soc. Cons. a r.l. | 31-Dec-14 | 454 | 2,258 | | | 287 | | 1,625 | |
| | 31-Dec-13 | 608 | 1,892 | - | - | 437 | 1,454 | - | - |
| Se.Sa.Mo. S.p.A. | 31-Dec-14 | 5,252 | 2 | 585 | | 3,003 | 638 | 8 | |
| | 31-Dec-13 | 5,073 | - | 33 | - | 3,145 | 6 | 606 | - |
| Servizi Napoli 5 soc.cons. r.l. | 31-Dec-14 | 1,371 | 1,256 | | | 1,743 | | 962 | |
| | 31-Dec-13 | 1,377 | 1,283 | - | - | 2,535 | 1,728 | - | - |
| Synchron Nuovo San Gerardo S.p.A. | 31-Dec-14 | 8,415 | 167 | | | 6,163 | | 313 | |
| | 31-Dec-13 | 2,944 | 95 | - | - | 2,525 | 95 | - | - |
| **TOTAL ASSOCIATES** | **31-Dec-14** | **18,213** | **10,048** | **716** | **0** | **13,323** | **6,114** | **8,656** | **0** |
| | **31-Dec-13** | **14,226** | **16,984** | **160** | **0** | **12,860** | **14,538** | **6,387** | **0** |

| SUBSIDIARIES AND ASSOCIATES OF MANUTENCOOP SOC. COOP. | | Revenues | Costs | Financial Income | Financial Expenses | Trade receivables | Financial receivables and others | Trade payables | Financial payables and others |
|---|---|---|---|---|---|---|---|---|---|
| Cerpac S.r.l. in liquidation | 31-Dec-14 | - | - | - | - | 1 | - | - | - |
| | 31-Dec-13 | - | - | - | - | 1 | - | - | - |
| Manutencoop Immobiliare S.p.A. | 31-Dec-14 | 11 | 704 | | | 7 | | 135 | |
| | 31-Dec-13 | 10 | 682 | - | - | 3 | 153 | - | - |
| Manutencoop Servizi Ambientali S.p.A. | 31-Dec-14 | - | - | - | - | - | - | - | - |
| | 31-Dec-13 | 20 | - | - | - | 6 | - | - | - |
| Nugareto Società Agricola Vinicola S.r.l. | 31-Dec-14 | | | | | 13 | | 28 | |
| | 31-Dec-13 | 2 | 2 | - | - | - | 2 | - | - |
| SIES s.r.l. | 31-Dec-14 | - | - | - | - | - | - | - | - |
| | 31-Dec-13 | 1 | - | - | - | 68 | - | - | - |
| Segesta S.r.l. | 31-Dec-14 | 17 | | | | 9 | | | |
| | 31-Dec-13 | 11 | - | - | - | 12 | - | - | - |

| SUBSIDIARIES AND ASSOCIATES OF MANUTENCOOP SOC. COOP. | | Revenues | Costs | Financial Income | Financial Expenses | Trade receivables | Financial receivables and others | Trade payables | Financial payables and others |
|---|---|---|---|---|---|---|---|---|---|
| **TOTAL ASSOCIATES OF MANUTENCOOP SOC. COOP.** | **31-Dec-14** | **28** | **704** | **0** | **0** | **30** | **0** | **163** | **0** |
| | **31-Dec-13** | **43** | **684** | **0** | **0** | **91** | **155** | **0** | **0** |
| Consorzio Karabak Due soc.coop | 31-Dec-14 | 3 | - | - | - | - | - | - | - |
| | 31-Dec-13 | 3 | - | - | - | - | - | - | - |
| Consorzio Karabak Tre soc.coop | 31-Dec-14 | 1 | - | - | - | - | - | - | - |
| | 31-Dec-13 | 1 | - | - | - | - | - | - | - |
| Sacoa s.r.l. | 31-Dec-14 | 80 | 17 | - | - | 42 | 5 | 9 | - |
| | 31-Dec-13 | 80 | 17 | - | - | 70 | 25 | - | - |
| **TOTAL ASSOCIATES OF MANUTENCOOP SOC. COOP.** | **31-Dec-14** | **84** | **17** | **0** | **0** | **42** | **5** | **9** | **0** |
| | **31-Dec-13** | **84** | **17** | **0** | **0** | **70** | **25** | **0** | **0** |

| | | Revenues | Costs | Financial Income | Financial Expenses | Trade receivables | Financial receivables and others | Trade payables | Financial payables and others |
|---|---|---|---|---|---|---|---|---|---|
| **TOTAL RELATED PARTIES** | **31-Dec-14** | **82,729** | **69,554** | **7,477** | **219** | **60,630** | **91,417** | **39,628** | **17,405** |
| | **31-Dec-13** | **176,258** | **82,656** | **5,520** | **1,137** | **105,923** | **64,454** | **140,980** | **24,158** |

The transactions specified above were performed under normal market conditions, i.e. in line with conditions that would be applied between 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, if long-term, were discounted in the financial statements of the Company. The Company 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.

The Company also has some administrative, financial and lease service contracts in place with its parent company Manutencoop Società Cooperativa.
No guarantees were given or received in relation to receivables and payables with related parties.

The main contracts in place with Manutencoop Group, controlled by Manutencoop Società Cooperativa, are shown below:

- MFM 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, expiring on 31 December 2014, was extended on 11 December 2014 and makes provision for an annual consideration of € 850 thousand.
- Manutencoop 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 duration of the lease has a 5-year term and is tacitly renewable, except in the event of termination by one of the parties. Annual rent is expected to be € 1,722 thousand, to be paid in 12 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. 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 € 348 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 Cooperativa, in order to regulate the essential contents of subsequent personnel leases from Manutencoop 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 provide rights to third parties, MFM 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 resolving said contracts.
- Manutencoop Cooperativa is committed to provide, on the basis of contracts stipulated with the individual companies of the MFM Group, the payroll service relating to the Company's employees.
- MFM S.p.A. signed agreements with Manutencoop Cooperativa and its subsidiaries, for the provision of tax consultancy services.
- Starting from 2004, the Company applied the tax consolidation of the Parent Company Manutencoop Società Cooperativa, pursuant to art. 117 et seq. of the TUIR (Italian Consolidated Law on Income Tax). The agreement can be renewed every three years and so it was extended to 2013-2015. Relations between the consolidating company Manutencoop Società Cooperativa and the consolidated company, deriving from the transfer to the Parent Company of taxable amounts and tax losses, generated by the consolidated company, are regulated contractually.

The Company 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-Dec-13** | **31-Dec-12** |
|---|---|---|
| **STATEMENT OF FINANCIAL POSITION** | | |
| ***ASSETS*** | | |
| A) Subscribed capital, unpaid | 155 | 244 |
| B) Fixed assets | 342,646 | 302,775 |
| C) Working capital | 42,031 | 40,828 |
| D) Accruals and Deferrals | 2,257 | 2,480 |
| **TOTAL ASSETS** | **387,088** | **346,327** |
| ***LIABILITIES AND SHAREHOLDERS EQUITY*** | | |
| A) Shareholders' equity: | | |
| Share capital | 11,741 | 14,136 |
| Reserves | 252,548 | 253,139 |
| Profit/(Loss) for the year | 338 | (591) |
| B) Provision for risks and charges | 3,959 | 3,967 |
| C) Employee Severance Indemnity | 2,384 | 2,685 |
| D) Payables | 115,315 | 72,158 |
| E) Accruals and Deferrals | 804 | 833 |
| **TOTAL LIABILITIES AND SHAREHOLDERS EQUITY** | **387,088** | **346,327** |
| **MEMORANDUM ACCOUNT** | **175,405** | **242,560** |
| **INCOME STATEMENT** | | |
| A) Value of production | 42,859 | 40,652 |
| B) Cost of production | (42,037) | (40,450) |
| C) Financial income and charges | (3,060) | (135) |
| D) Financial asset value adjustments | 1,631 | (838) |
| E) Extraordinary income and charges | 185 | 84 |
| Income taxes for the year | 759 | 96 |
| **Profit/(Loss) for the year** | **338** | **(591)** |

## 37. FEES DUE TO THE MEMBERS OF THE SUPERVISORY BOARD, THE MANAGEMENT BOARD AND TO EXECUTIVES WITH STRATEGIC RESPONSIBILITIES

The table below reports the gross fees due to the Executives with Strategic Responsibilities and to the members of the Supervisory Board and the Management Board, for any reason and in any form:

| *(in thousands of Euro)* | 2014 | 2013 |
|---|---|---|
| **MANAGEMENT BOARD** | | |
| Short-term benefits | 1,097 | 2,995 |
| **TOTAL MANAGEMENT BOARD** | **1,097** | **2,995** |
| **SUPERVISORY BOARD** | | |
| Short-term benefits | 396 | 390 |
| **TOTAL SUPERVISORY BOARD** | **396** | **390** |
| **OTHER STRATEGIC EXECUTIVES** | | |
| Short-term benefits | 2,528 | 3,105 |
| Subsequent benefits | 280 | 104 |
| **TOTAL OTHER STRATEGIC EXECUTIVES** | **2,808** | **3,210** |

The table below reports the fees accrued in 2014 for the audit and non-audit services rendered by the independent auditors and by entities in their network.

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Audit services | 452 | 613 |
| Certification services | | 421 |
| Other services | 40 | 14 |
| **TOTAL FEES TO THE INDEPENDENT AUDITORS** | **492** | **1,048** |

## 38. MANAGEMENT OF FINANCIAL RISKS: OBJECTIVES AND CRITERIA

Management of financial requirements and the relative risks (mainly interest rate and liquidity risk) is performed centrally within the Group Treasury on the basis of guidelines approved by the Company's Management Board, 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 assets in the financial statements, in order to maintain a high level of capital strength.

In 2013, the Company launched a High Yield bond issue due August 2020, which radically revised the composition of the sources of financing. The bond issue that has been described has then rationalised, as early as in the previous year, our debt structure with a view to greater future financial stability that is more consistent with medium- and long-term strategic growth and development targets. The financial instruments that are traditionally used by the Company are made up of:

- short-term loans, targeted at funding working capital. The revolving factoring transactions in place with Crédit Agricole Corporate and Investment Bank and Banca IMI were discontinued as early as in the previous year, as were the very short-term credit facilities used for contingent cash requirements. The financial resources collected by the Company from these instruments have been replaced by those arising from the bond issue.
- medium/long-term loans with a multi-year repayment plan to cover investments in fixed assets and acquisitions of companies and business units. A portion of the medium/long-term loans was repaid through the proceeds from the bond issue. Furthermore, the derivative contracts in place were also cancelled.

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

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

- Level 1: corresponds to prices of similar liabilities and assets listed on active capital 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 as at 31 December 2014 and 31 December 2013:

| | Hierarchy | | | | Hierarchy | | | |
|---|---|---|---|---|---|---|---|---|
| | 31-Dec-14 | Level 1 | Level 2 | Level 3 | 31-Dec-13 | Level 1 | Level 2 | Level 3 |
| Financial assets carried at fair value in the income statement | | | | | | | | |
| Financial receivables, securities and other non-current financial assets | 101 | | 101 | | 102 | | 102 | |
| securities | 101 | | 101 | | 102 | | 102 | |
| Available-for-sale financial assets | | | | | | | | |
| Financial receivables and other current financial assets | 0 | | 0 | | 0 | | 0 | |
| hedging derivatives | 0 | | 0 | | 0 | | 0 | |
| non-hedging derivatives | 0 | | 0 | | 0 | | 0 | |
| **TOTAL FINANCIAL ASSETS** | **101** | | **101** | | **102** | | **102** | |

| | Hierarchy | | | | Hierarchy | | | |
|---|---|---|---|---|---|---|---|---|
| | 31-Dec-14 | Level 1 | Level 2 | Level 3 | 31-Dec-13 | Level 1 | Level 2 | Level 3 |
| Non-current financial liabilities | | | | | | | | |
| hedging derivatives | | | | | | | | |
| non-hedging derivatives | | | | | | | | |
| Current financial liabilities | | | | | 22 | | 22 | |
| hedging derivatives | | | | | | | | |
| non-hedging derivatives | | | | | | | | |
| other liabilities | | | | | 22 | | 22 | |
| **TOTAL FINANCIAL LIABILITIES** | **0** | | **0** | | **22** | | **22** | |

In 2014 there were no transfers between fair value measurement levels.

There were no changes in allocation of financial assets that led to a different class of assets.

The Company 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 Company, as required by IFRS 7, and the associated economic effects for the year closed as at 31 December 2014:

| *(in thousands of Euro)* | 31-Dec-14 | Available-for-sale financial assets | Loans and receivables |
|---|---|---|---|
| **Non-current financial assets** | | | |
| Other investments | 2,718 | 2,718 | |
| Non-current financial assets | 66,964 | | 66,964 |
| Other non-current assets | 1,429 | | 1,429 |
| **Total non-current financial assets** | **71,110** | **2,718** | **68,392** |
| **Current financial assets** | | | |
| Trade receivables and advances to suppliers | 436,044 | | 436,044 |
| Current tax receivables | 20,939 | | 20,939 |
| Other current assets | 19,870 | | 19,870 |
| Current financial assets | 38,129 | | 38,129 |
| Cash and cash equivalents | 92,641 | | 92,641 |
| **Total current financial assets** | **607,623** | **0** | **607,623** |
| **Total financial assets** | **677,633** | **2,718** | **674,915** |
| **Financial income (charges)** | **13,912** | **0** | **13,912** |

| *(in thousands of Euro)* | 31-Dec-14 | Financial Liabilities at Fair Value in the Statement of Income | Financial Liabilities measured at amortised cost |
|---|---|---|---|
| **Non-current financial liabilities** | | | |
| Non-current loans | 370,280 | | 370,280 |
| **Total non-current financial liabilities** | **370,280** | **0** | **370,280** |
| **Current financial liabilities** | | | |
| Trade payables and advances from customers | 267,893 | | 267,893 |
| Other current financial liabilities | 44,411 | | 44,411 |
| **Total current financial liabilities** | **312,304** | **0** | **312,304** |
| **Total financial liabilities** | **682,584** | **0** | **682,584** |
| **Financial income and charges** | **(42,512)** | **0** | **(42,512)** |

The same information for the year ended 31 December 2013 is shown below:

| *(in thousands of Euro)* | **31-Dec-13** | **Available-for-sale financial assets** | **Loans and receivables** |
|---|---|---|---|
| **Non-current financial assets** | | | |
| Other investments | 2,504 | 2,504 | |
| Non-current financial assets | 59,568 | | 59,568 |
| Other non-current assets | 1,275 | | 1,275 |
| **Total non-current financial assets** | **63,346** | **2,504** | **60,842** |
| **Current financial assets** | | | |
| Trade receivables and advances to suppliers | 521,080 | | 521,080 |
| Current tax receivables | 9,133 | | 9,133 |
| Other current receivables | 19,419 | | 19,419 |
| Other current financial assets | 96,535 | | 96,535 |
| Cash and cash equivalents | 149,834 | | 149,834 |
| **Total current financial assets** | **796,001** | **0** | **796,001** |
| **Total financial assets** | **859,347** | **2,504** | **856,843** |
| **Financial income (charges)** | **6,875** | **0** | **6,875** |

| *(in thousands of Euro)* | **31-Dec-13** | **Financial Liabilities at Fair Value in the Statement of Income** | **Financial Liabilities measured at amortised cost** |
|---|---|---|---|
| **Non-current financial liabilities** | | | |
| Non-current loans | 439,993 | | 439,993 |
| Financial liabilities for non-current derivatives | 0 | 0 | |
| **Total non-current financial liabilities** | **439,993** | **0** | **439,993** |
| **Current financial liabilities** | | | |
| Trade payables and advances from customers | 331,718 | | 331,718 |
| Loans and other current financial liabilities | 95,503 | 23 | 95,526 |
| **Total current financial liabilities** | **427,221** | **23** | **427,244** |
| **Total financial liabilities** | **867,214** | **23** | **867,237** |
| **Financial income and charges** | **(30,850)** | **23** | **(30,873)** |

## Liquidity risk

The Company's objective is to maintain a balance between funding and flexibility through the use, if required, of current account overdrafts, short-term bank loans (hot money and advances), and finance leases in addition to the bond issue resources.

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

Following the bond issue and the consequent repayment of the short- and very short-term bank loans, the liquidity risk was further mitigated through the execution of a Revolving Credit Facility (RCF) of € 30 million that can be activated on demand. The line has never been used and no future use was contemplated in consolidated financial plans. In 2014 it was therefore deemed appropriate to cancel the line.

### Price risk

The only risk of this kind to which the Company is exposed concerns changes in the price of oil products, in relation to heat management activities.

These changes are, in certain cases 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 Company's profit for the year arising from changes in prices, even significant, would essentially have been insignificant, in terms of amount.

### Credit risk

The Company has contracts with Public Administration, a situation that does not present insolvency problems, but which requires 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.

There are no significant credit concentration risks to report, which are carefully monitored by the Company. Furthermore, given the continuing economic downturn, the Company 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 Company's financial instruments recorded in the financial statements do not deviate from fair value, including those classified as assets held for disposal, given that all are at a variable interest rate, short/medium-term and at market interest rates.

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

| | Carrying Amount | | Fair value | |
|---|---|---|---|---|
| | 31-Dec-14 | 31-Dec-13 | 31-Dec-14 | 31-Dec-13 |
| **Financial assets** | | | | |
| Cash and cash equivalents | 92,641 | 149,834 | 92,641 | 149,834 |
| Receivables and other current financial assets | 38,129 | 96,535 | 38,129 | 96,535 |
| Other minority interests | 2,718 | 2,504 | 2,718 | 2,504 |
| Non-current financial receivables | 66,964 | 59,568 | 66,964 | 59,568 |
| **Financial liabilities** | | | | |
| Loans: | | | | |
| - Variable rate loans | 30,251 | 87,881 | 30,251 | 94,593 |
| - Fixed rate loans | 370,280 | 413,116 | 370,280 | 413116 |
| Other current financial liabilities | 14,160 | 20,484 | 14,160 | 35,245 |
| Financial liabilities for non-current derivatives | 0 | 0 | 0 | 0 |

### Interest rate risk

The Company's current policy has a preference, for the management of financial charges, for fixed rate loans, through the possession of a portion relating to the bond described in previous paragraphs.

The financial instruments of the Company exposed to interest rate risk are those recorded under the following balance sheet items:

- Loans and other financial liabilities (note 19).
- Non-current financial assets (note 9).
- Receivables and other current financial assets (note 14).
- Cash and cash equivalents (note 15).

As at the balance sheet date the Company had no derivative transactions in place, to cover interest rate risks.

Interest rate sensitivity analysis

The following table shows the sensitivity of pre-tax profit in the period, as a result of reasonably possible changes in interest rates, maintaining all other variables constant.

| | Increase/decrease | Effect on profit before taxes (in thousands of Euro) |
|---|---|---|
| **Financial year ended 31 December 2014** | +150 bps | 201 |
| | -30 bps | (40) |
| **Financial year ended 31 December 2013** | +150 bps | (1.608) |
| | -30 bps | 322 |

The new structure of the debt, as we have seen, is affected, to a very marginal extent, by the changes in market rates, as the Company has set the cost for its recourse to credit market at the rate of return it ensures on the bond coupons.

On the contrary, in the previous year, the profit recorded the cost of the bond issue proceeds for a part of the year only. The table below shows the sensitivity of the pre-tax profit in 2013 should the bond issue dated 2 August have ensured proceeds since 1 January 2013:

| | Separate Financial Statements | | Pro-forma Separate Financial Statements | |
|---|---|---|---|---|
| | Net financial charges | Profit before taxes | Net financial charges | Profit before taxes |
| Financial year ended 31 December 2013 | (23,975) | 22,779 | (35,125) | 11,630 |

### Exchange rate risk

The Company operates in the national market and, therefore, it is not exposed to exchange rate risk.

### Capital management

The key objective of the Company'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 Company 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 Company can adjust the dividends paid to shareholders, repay principal or issue new shares.

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

| *(in thousands of Euro)* | **31.12.2014** | **31.12.2013** |
|---|---|---|
| Employee termination indemnity | 12,353 | 14,162 |
| Interest-bearing loans | 414,691 | 535,495 |
| Trade payables and other payables | 376,553 | 453,629 |
| Cash and cash equivalents | (92,641) | (149,834) |
| **Net Debt** | **710,955** | **853,451** |
| Capital | 109,149 | 109,149 |
| Reserves and retained earnings | 232,110 | 220,941 |
| **Total capital** | **341,259** | **330,090** |
| **Equity and net debt** | **1,052,215** | **1,183,541** |
| **INDEBTEDNESS RATIO** | **68%** | **72%** |

A 4% change was recorded in the debt ratio compared to 31 December 2013, which was mainly due to a reduction of € 121 million in net debt compared to a limited capital increase of € 11 million.

## 39. SUBSEQUENT EVENTS TO THE CLOSE OF THE YEAR

No significant events are reported which occurred after the year-end.

**The Chairman of the Management Board**

Claudio Levorato